B. ADM.
BRARY

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This Month's Cover

COLUMBUS

Drawn from nature and printed in colors by E. Sachse & Company, the lithograph reproduced on the front cover is a view of Columbus, Ohio, from the west in 1865. The winding river at the right is the Scioto; the white structure dominating the center of the view is the State Capitol. . . . This print from the Phelps Stokes collection is reproduced through the courtesy of the New York Public Library. . . . The site of Columbus, stretching on both sides of the Scioto at its junction with the Olentangy, lies in the center of the State. Although it may have been visited by La Salle when he explored the Ohio River in 1670, no attempt at settlement was made, evidently, until the Ohio Company was organized in 1786, purchasing from the Federal Government almost a million acres. In 1797 Lucas Sullivant and others laid out the town of Franklinton on the west bank of the Scioto. Across the river was a high plateau, destined also to become a part of the present city. In 1812 its owners, James Johnson, John Kerr, Alexander McLaughlin, and Lyne Starling, set off a tract of 1,200 acres and offered to lay out a town, grant land, and erect public buildings if the seat of the Ohio government could be located there. The legislature, which had appointed a commission to place the permanent capital "not more than 40 miles from the common center of the State," was temporarily in session in Zanesville; it accepted the offer, naming the site Columbus. . . . Today Columbus (aerial view above) is a city of 300,000 population. The skyscraper in the center of the picture is the AIU (American Insurance Union) Building. Included among the city's principal manufactures are steel, mine and mill machinery, agricultural implements, electrical apparatus, trucks, and shoes.

Blue Grass.
Drive
7-24-40

DUN'S REVIEW
for
OCTOBER, 1939

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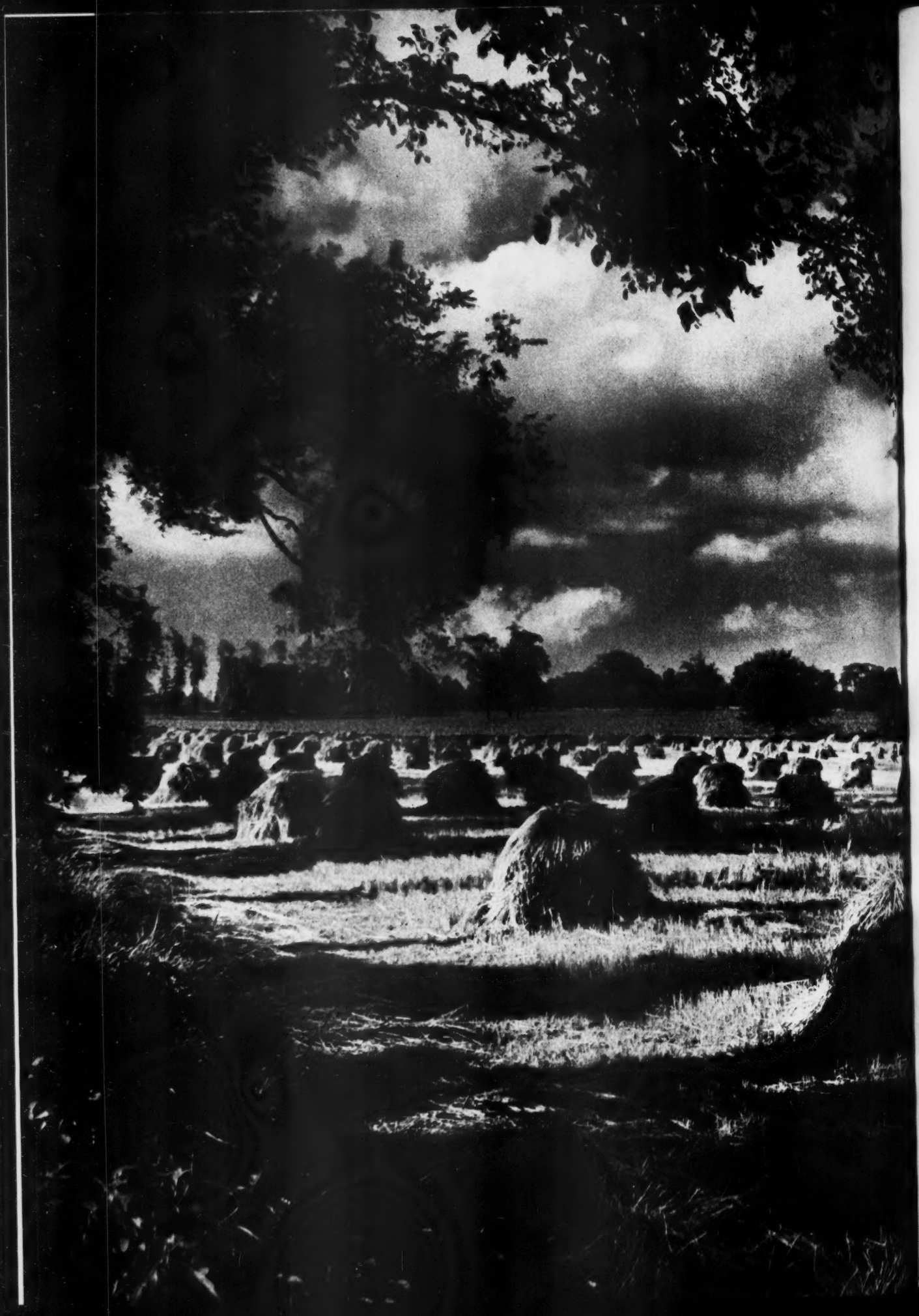
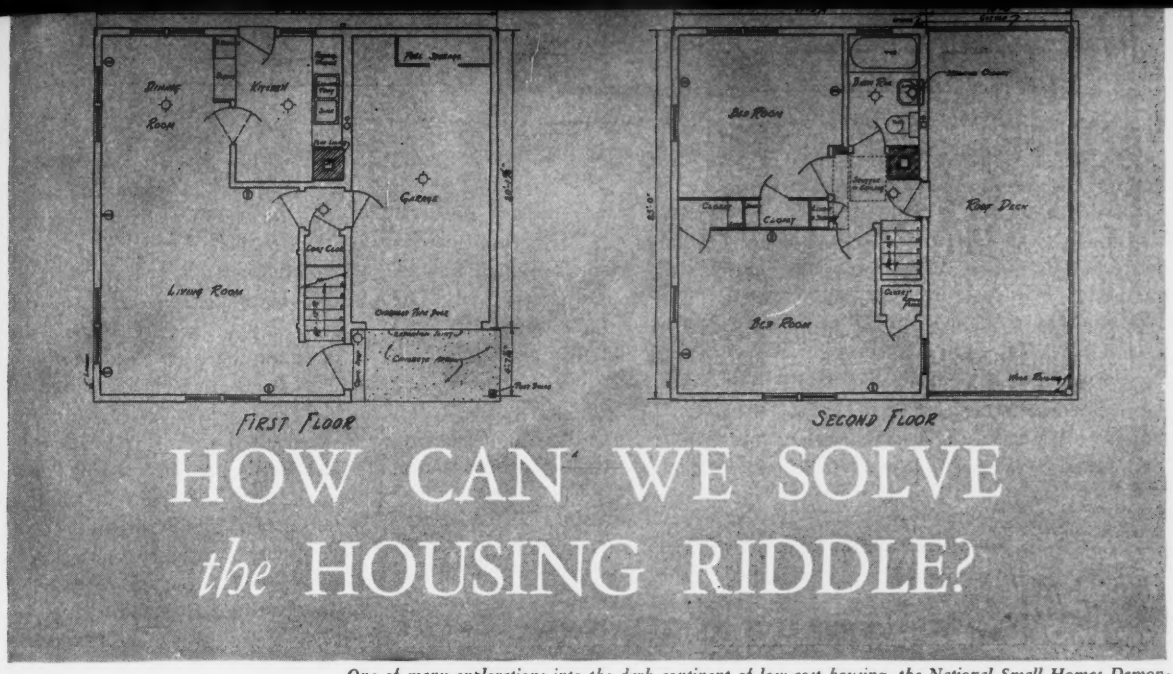
¶ For those interested in the prints of century-old cities appearing on the covers of DUN'S REVIEW, the publishers have arranged to provide mounted copies suitable for framing. Not all back numbers are available. Orders for copies of prints on current issues should be placed promptly and accompanied by check or money order. For prints set off by an appropriate French mat 13½ x 14¾ inches ready for framing the charge is $1. For prints mounted and framed, with glass, the charge is $3. If in New York City, add 2 per cent sales tax. . . . ¶ Information about subscription rates will be found on page 49. . . . ¶ Second cover photograph by Fairchild Aerial Surveys, Inc. Frontispiece photograph by Charles Phelps Cushing.





HOW CAN WE SOLVE *the* HOUSING RIDDLE?

One of many explorations into the dark continent of low-cost housing, the National Small Homes Demonstration has developed a standard but flexible house plan (page 11); one architect liked this adaption best.

ROBERT L. DAVISON
Director of Housing Research,
The John B. Pierce Foundation

To build low-cost homes and so revive the residential construction industry must we resort to subsidies or can we still find ways to do it entirely within the framework of private enterprise? This is one of a series of articles on subjects of importance to business, presenting opinions of men of acknowledged experience in their fields—men whose backgrounds, too, have created decided, often conflicting, convictions.

JUST like a farm family, the economic machine of this country requires for its general well-being that all its members—all its industries—be in reasonably good health and at work. The interdependence of all members of the family, one to another, is such that serious or lingering illness for even one or two of the members jeopardizes the productivity of the whole family.

During the years 1925 to 1930 the building of houses was an able-bodied member of the industrial family. The average annual volume of residential construction amounted to $3,504,000,000, requiring the services of 1,200,000 employees for construction and approximately 2,000,000 employees in the manufacture and transportation of materials. Then the industry became very sick. In 1933 total residential construction amounted to only $398,000,000; in the eight years from 1931 to 1938 it averaged only $986,000,000 a year. The doctors seemed to despair of curing the industry completely. Like their learned colleagues before them in England, Germany, Austria, Holland, and Sweden, they prescribed public aid; in effect they said: "You'd better get a hired man."

Already, acceptance of the belief that the majority of the people cannot afford decent living quarters at the cost set by private construction has been reflected in many and diverse ameliorative efforts: by the Home Owners' Loan Corporation, the Resettlement Administration, the Public Works Administration, the Federal Housing Administration, and the United States Housing Authority—through guarantees of loans, grants-in-aid, tax exemption, and low interest rates. Such efforts are not without their expense.

Estimates based on a National Housing Committee report indicate that if housing costs are not reduced below $5,000 per dwelling unit (which is the probable cost of most Government subsidized housing projects) the total cost of subsidy to bring new housing within the rent paying ability of all families in the United States would be about $57,000,000,000. So while a certain amount of outright subsidy may be socially necessary, and politically expedient, any attempt to solve the problem through subsidy alone seems doomed to failure.

Perhaps it is time to call in some new doctors, time to re-examine the possibility of reviving the patient instead of replacing him, time to seek the answers to many questions: How much money do how many people in various income groups have to spend for rent or, if they buy a house, for rent-equivalent? What kinds of houses

can be built under private enterprise to rent or sell for figures which these people can meet? How far down the income scale do we have to go in building houses to get 1925-1930 dollar volume? Can we build salable houses for little enough to reach that far down?

A good starting point for any study of the housing market is in the shortages, Chart I, on this page. The total United States shortage is 2,036,558 units, but all of it, as the chart shows, is at the expense of families who can afford to pay no more than $30 a month for rent.

Throughout this discussion "rent" means either rent or rent-equivalent if the house is owned; in other words, the monthly cost. Furthermore, whenever family incomes are related to the monthly cost, I am assuming one week's income for one month's rent, and the price of the dwelling at 100 times the monthly rent. That is, a man receiving $30 a week can pay $30 a month for his home, a home costing $3,000 a year. Another way of stating it would be the price of the house at twice the yearly income.

If you translate Chart I into market terms, you will see that the shortages can be met only through construction of houses made to sell for less than $3,000, for families whose incomes are less than $30 a week, or $1,500 a year.

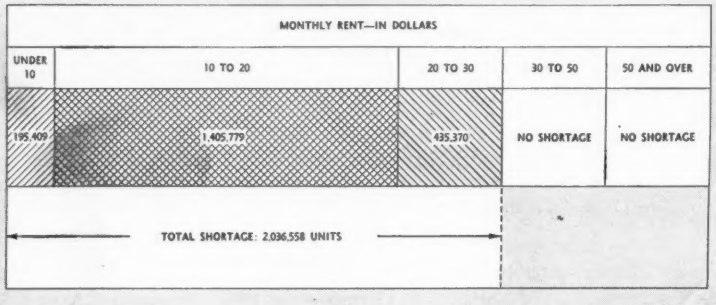
What, on the other hand, of the current market? In Chart II current annual requirements, by rental groups, are contrasted with construction in 1938. Notice the three sets of bars on the left; they indicate that there has been only a negligible amount of building, proportionate to requirements, for families who cannot afford to live in houses costing as much as $3,000.

Now observe what the two bars at the right suggest. As we have been for the past several years, we are continuing to overbuild in the class of houses selling for more than $5,000. The most recent figures available indicate that we are oversupplying the present market—and there are no shortages —by 300 per cent.

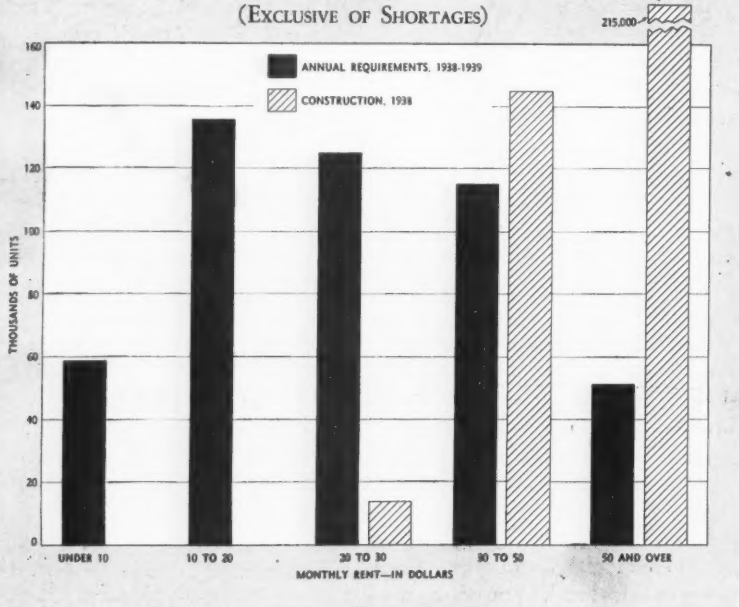
The question naturally arises whether the figures are wrong or whether we actually have overbuilt in the $50-a-month class. In a field check of urban and suburban communities having a total population of 12,000,000 (nearly 10 per cent of the country's total population) it was found that 9,000 of the houses erected during 1937 were still unsold as of November 1 of that year. The bulk of these houses were in the $6,000 class. Multiplying the 9,000 by 10 to get a *very rough* idea of the oversupply for the country as a whole gives a guess of 90,000 units.

It seems not at all unlikely that overbuilding in the upper price class does exist, as the natural result of momentum and lack of accurate knowledge of the housing market. Previous to the depression there were three times as many families in this rent class as there are today. Contractors formed the tech-

I. SHORTAGES OF NON-FARM DWELLING UNITS—TOTALS FOR THE UNITED STATES, BY RENTAL GROUPS

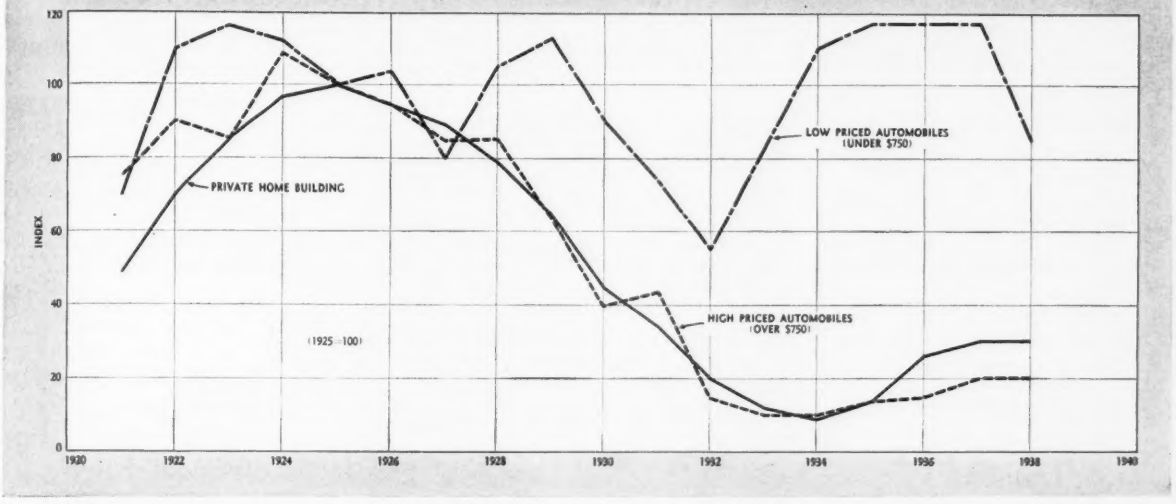


II. CONSTRUCTION OF NON-FARM DWELLINGS AND THE MARKET (EXCLUSIVE OF SHORTAGES)



Shortages, so the National Housing Committee's analysis sets forth, appear in lower rental groups (chart I). There has been underbuilding in that part of the market, overbuilding where shortages do not exist (chart II).

III. Proportion of National Income Spent for Homes and for Automobiles



Depression years were grim for the entire automobile industry, but more recently sales of low-priced cars have recovered; still bogged are sales of higher-priced cars. Home-construction (with no important low-price segment) has paralleled the expensive automobile trend.

nics of building and selling to this group, and they are now difficult to change even though builders appreciate that the market has dwindled. For one thing, most of them do not know by cities and counties, for example, precisely how much change there has been in their market. Fortunately they will soon. Late in its last session Congress passed a bill which further extended the data to be collected by the Bureau of Census in 1940 to include information on types of houses owned or rented, number of rooms, and amount of mortgage. From that data it will be possible to determine accurately the extent and nature of local shortages.

To return to the story of Chart II, it appears that, whatever the reasons, the home building industry has priced itself right out of the market, a conclusion substantiated by Chart III. Using $750 as the dividing line between high and low cost automobiles, Chart III shows the proportion of national income spent for cars in these two price groups from 1921 to 1938. Also plotted on an index base is the proportion of national income spent for housing.

A telling indication of the income group to which building caters, the curves for high-priced automobiles and for building coincide almost exactly. The low cost automobile curve is sharply divergent. Cars costing less than $750 are the ones principally responsible for the revival of the automobile industry since mid-depression.

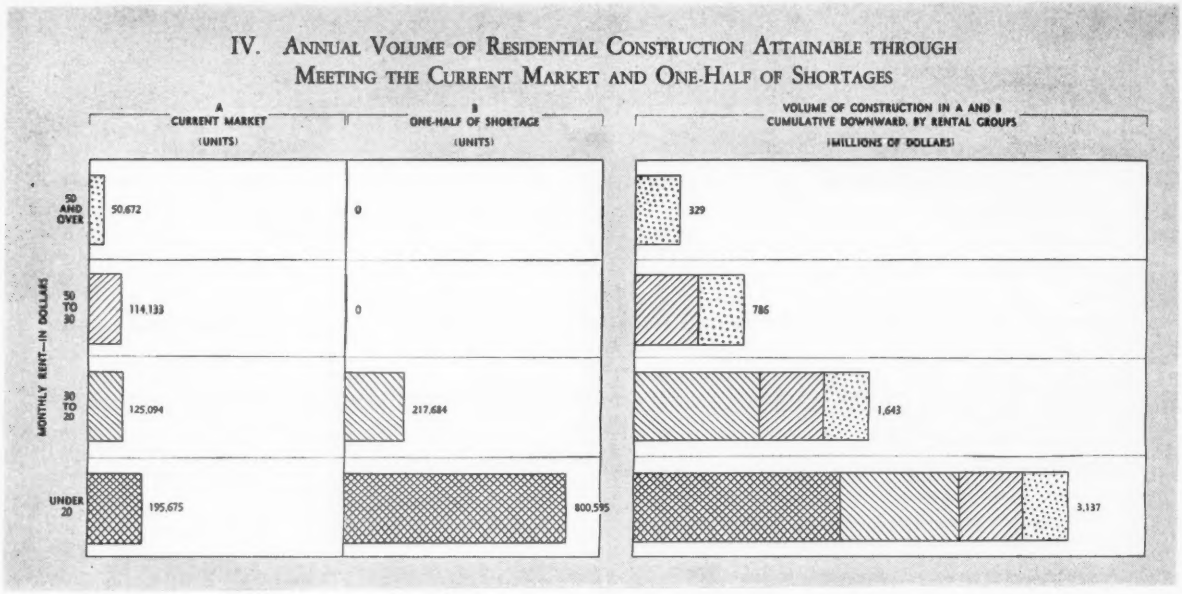
How Much Cheaper?

It is plain that very little building volume is going to come out of supplying new houses at a cost of more than $5,000. Nor is much more going to come from new houses in the $3,000-$5,000 class, where likewise there are no shortages. How much cheaper do we have to build houses to get how much volume of residential construction?

Chart IV presents a breakdown of the current market and of shortages by income and rental groups. The bars at the left show the estimated current market for each of the two years 1938 and 1939. The second set of bars represents one-half of the current shortage. The third set shows how much dollar volume results from multiplying the combined figures for the current annual market and one-half of the shortage by the value of an average house in each class. From the top downward, these bars are added cumulatively to show the total volume of residential construction which may be expected as successive layers of the low-cost housing market are met. Two figures to keep in mind in studying the cumulative totals of this chart are these: nonfarm residential building averaged $3,504,000,000 from 1925 to 1930, $986,000,000 from 1931 to 1938.

By filling annual requirements and one-half of the shortages, the chart shows, we can attain an annual volume of $786,000,000 if we build only houses to sell for more than $3,000; $1,643,000,000, if we can supply the $2,000-$3,000 kind of house; a possible $3,137,000,000, if we solve the problems involved in making houses for less than $2,000. From the standpoint of practical construction limitations, what chance do we have to tap this low-cost, mass market?

Soon after the National Housing Committee had made its survey, Herbert Nelson, of the National Association of Real Estate Boards, sent out a



By meeting the current market and one-half of the shortages we could attain in each of two years an annual volume of residential construction of $1,643,000,000 if we built homes to rent for as little as $20 a month, $3,137,000,000 if we reached farther down.

questionnaire asking builders for information about houses selling at $3,000. Of those who answered, 90 per cent replied that houses could not be built in their communities for a profit at that figure. The remaining 10 per cent replied that the houses could be built at a profit and that, in fact, they were doing it. Those 10 per cent were not limited to Southern districts. The question arose: why, if some could do it, others couldn't?

Two Plans

In May 1938 the National Small Homes Demonstration, sponsored by the National Lumber Manufacturers Association, with active co-operation from Government housing agencies and a number of large companies in the building industry, also began work based on the findings of the National Housing Committee survey. They explored two plans: one for a four-room unit costing $2,000, the other for a five-room and garage unit costing $2,500, both prices exclusive of land. They hoped to prove both plans feasible through (1) budgeting various elements of the house, (2) standardization in plan, (3) standardized space relationships for equipment, (4) adapting certain practices used in mill and factory construction to dwelling house construction, and (5) added efficiency only possible through very detailed study of all construction details.

Both four- and five-room units were designed so that they might be built either with or without basement, or the same units might be used in multi-family housing. An attached garage could be added to the five-room unit when used as a free-standing, single or twin house. The same mechanical equipment could be used in both units.

A considerable amount of study was given over to developing the most efficient kitchen within the limitations of space and price. One of the important elements was the standardization of space relationships between kitchen equipment, bath, domestic hot water, and house heating. The hope was that if this basic equipment were standardized as to space requirements, it would encourage manufacturers to standardize their equipment, which in turn might reduce the cost of equipment and installation.

In developing plans for these houses there was no intention of limiting their exterior treatment. The purpose was to standardize the equipment and the shell (top of page 11) and then let the architect apply to the shell any treatment which he might wish—clapboard, wood shingle, asbestos shingle, brick, shutters, and hip, pitched, or flat roof, and so forth.

Usual Methods

In the shell of the house, with the exception of floor construction, the plan followed traditional construction methods. The savings were largely due to simplification of structural details and to making dimensions which would to a considerable extent eliminate cutting lumber. The most radical departure in the entire house was to lay thicker floors on beams spread wider apart, making ceilings unnecessary. This was merely returning to a modified form of the beamed ceiling used in early Colonial houses. Reducing the height of the two-story building by a foot and a half, elimination of ceiling, and other savings made possible a reduction in cost of about $100.

Bids received on the one-story, four-room house without basement indicate that it can be built in some communities for $2,000; the five-room and garage house for $2,500. (Elsewhere the cost might run 50 per cent higher.)

But just because the bids received demonstrate that these low-cost houses can be built does not mean that they will be, for a variety of reasons. An important obstacle lies in the buying attitudes of the very people for whom the houses were designed.

For example, a Long Island builder advertised a four-room, basementless house for $2,500, including land. Though the sale price included some $400 of gross profit and the house was in fact for sale, it really served as a loss-leader, bringing people out to see the rest of the builder's development. Salesmen had little difficulty in selling the prospect the same house but with basement added and a three-foot increase in frontage for $2,900. By adding $200 to the cost of the basementless house, the builder could sell it for $400 more. There is no reason to criticize the builder; the illustration simply bears out this point—that for every dollar added above the basic cost the purchaser will frequently pay two.

Another obstacle which often stops the building of a low-cost house before it can get started is finding a suitable site. Many districts or subdivisions have zoning or deed restrictions which prevent the erecting of houses under $4,000 or $5,000. Builders in Buffalo and Rochester say that this condition obtains to a very considerable extent in these cities, and it is probably quite general throughout the United States.

There are at least two other aspects of the same problem. Builders with expensive houses built but still unsold naturally are reluctant to build cheaper houses on the adjoining lots still vacant. Equally so, local lending institutions will often withhold approval of a mortgage on a $3,000 house if it is to be built near others on which it has $5,000 and $6,000 mortgages. Lenders wish, of course, to maintain the value of their property by keeping less expensive houses out of the same communities.

BUILDER, DIRECTOR OF RESEARCH

The best known, recent phrase describing Robert L. Davison is "spark-plug." So he was called, along with a few others, by the Secretary of Commerce when in August Mr. Hopkins selected experts in half a dozen fields to join his special staff.

"I have been interested in low-cost housing," Mr. Davison tells us, "since I was ten," which must have been about 1900. Before the war he had done special work in the subject at Harvard and made a survey of industrial housing for the Government. He has been engaged in his own and other companies making ready-built houses; he has been associate editor of Architectural Record; *since 1931 he has been director of housing research for the John B. Pierce Foundation. In this capacity he is recognized as an authority on technical developments in building materials and methods.*

A further obstacle is the prevalence of guess-timating costs in residential construction. To get a really sound minimum cost estimate on the five-room and garage house requires one or two weeks of intensive work. Either a builder must have some expert assist him or he must learn what his cost is through experience, which may cost him dearly if his price is too low or prevent construction of houses if his price is too high. To be sure, this barrier is not insurmountable for the builder who plans to build many houses similar in design, for he can spread his estimating cost over several units.

Perhaps one of the greatest obstacles to low-cost housing is the combination in certain communities of local labor and material interests for the purpose of maintaining high prices in various elements of construction. Not infrequently the efforts of these combinations result too in local building codes with unnecessarily expensive requirements.

There are many points in the construction or installation of equipment, builders tell me, where considerable savings can be made, savings which are acceptable to some codes and prohibited by others. In some codes there appear clauses which permit an appeal, but after attempts at obtaining special rulings most builders have concluded, and probably rightly, that it is cheaper to use the more expensive construction than to spend time and money seeking a special ruling.

Such are the possibilities of building houses for the $20 to $30 rental group by the evolutionary approach, by effecting a number of economies through standardization of materials but without making any radical innovations. Beyond question such houses can be built to sell at a profit in some communities. In others there are still local problems to be solved and obstacles to be cleared away.

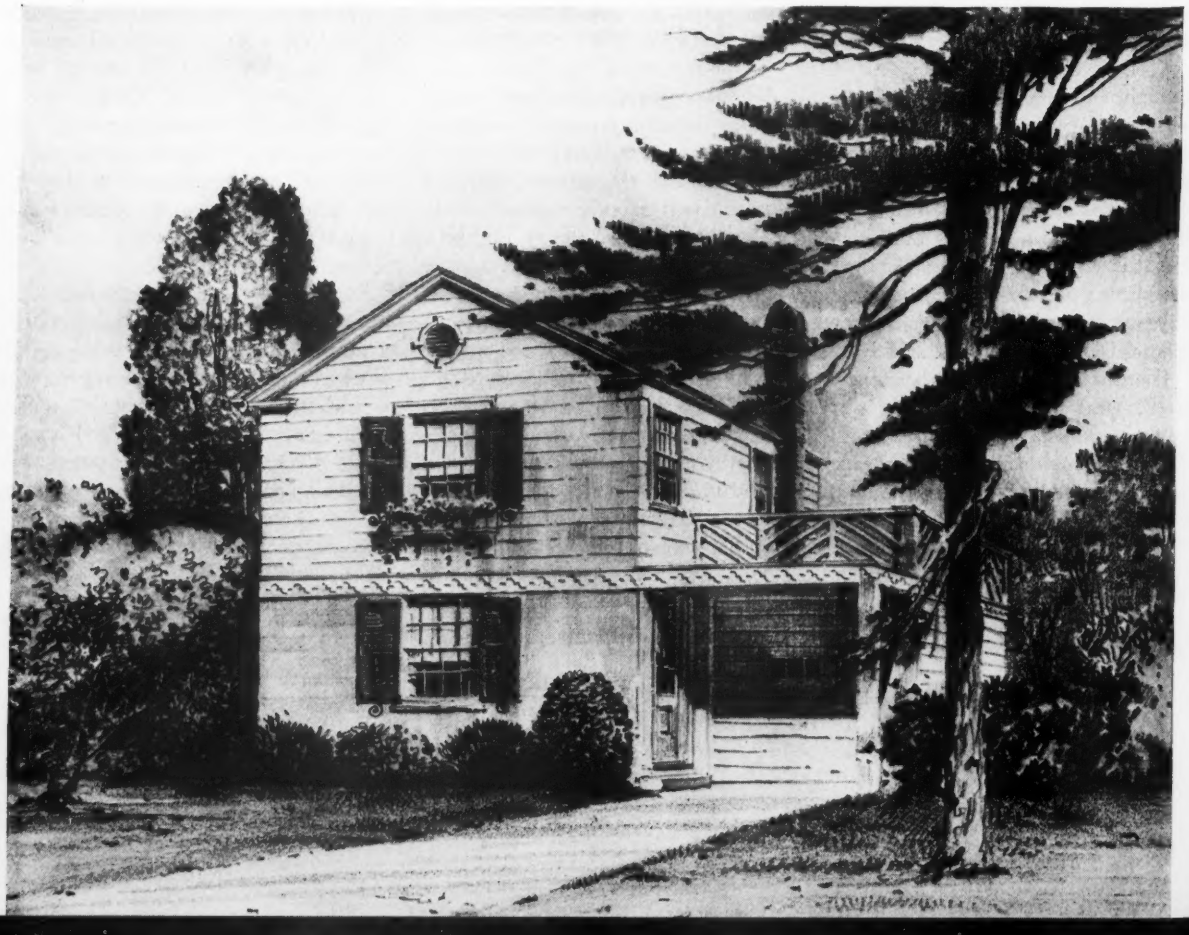
But even if we do succeed in building houses for the $20-$30 rental group, we can hope, remember, for no more than $1,643,000,000 annual volume of residential construction—and that, only if we meet the current market and half of the shortages in each of two years.

To reach the real mass market, to attain an annual volume of $3,137,000,000 in residential construction, is a problem quite different from attempts to reach the $20-$30 rent group. It will require radical measures. As I suggested in a magazine article more than ten years ago:

"THE PROBLEM—It is now financially impossible for the average man to buy,

To the standard two-story shell (opposite page) can be added many types of exterior treatment to satisfy whims and caprices of individualistic home builders—thus it is possible to have savings from basic uniformity and latitude for self-expression; one self expressed himself (above) by turning the garage east and west.

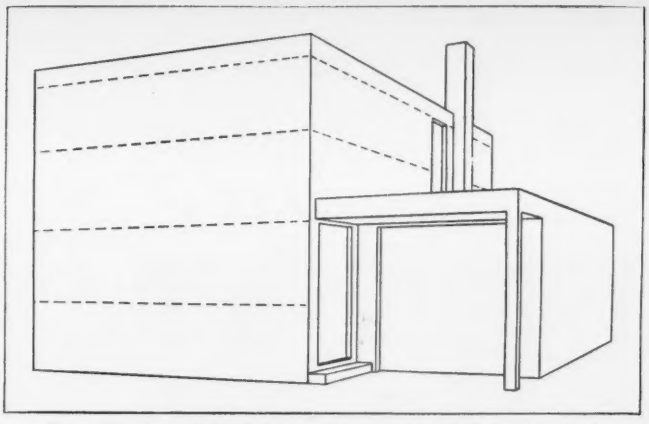
Another faced his garage north and south, topped it with a porch, and turned the front door and roof around 90 degrees (below). Had he wished, he might have built no pitched roof at all, but instead might have left it flat after the manner of some Colonial Spanish homes in movieland's suburb, Beverly Hills.



build, or rent a new four-room apartment or house."

Herbert Hoover, then president, proposed:

"THE SOLUTION—It probably lies in some *radical* departure in house construction and economics, as it does not appear to us that we are likely to have such relative readjustment as will correct this situation."



From this National Small Homes Demonstration shell architects and builders can develop many different finished houses (opposite page).

Houses have been built and sold for less than $2,000, but the problem is to develop a technic whereby this can be done on a sufficiently profitable basis to create a large volume of construction. These dwellings must have sufficient quality to obtain consumer acceptance and to warrant long-term financing. In my opinion this can only be done through research, both pure research and applied research.

Refinement

Over a period of years conventional construction has been brought to an almost irreducible minimum beyond which the efficiency, stability, and quality of the structure is jeopardized. For example, the thickness of brick walls has been reduced to a point where it is now frequently necessary to apply waterproofing to the inner side to prevent leaks. Its insulating quality can only be improved appreciably by the addition of insulating material, which means added cost.

If we were to use the research approach, we would set up the essential qualities which we desire in an exterior wall and then try to find materials and construction methods which would give us these qualities.

Physically, the essential qualities in an exterior wall are waterproofing and some degree of thermal insulation. It is not essential that the wall carry the floor or roof load. It is probably not even desirable, for it has generally been found more economical to use columns than a loadbearing wall. The wall should have sufficient strength, however, to resist probable wind and impact loads. In the case of a brick bearing wall, we have a supporting wall plus waterproofing plus insulation. We can reduce cost by supporting our waterproofing and insulation by columns instead of by continuous bearing wall. In other words, instead of having a supporting wall which we waterproof and insulate, have an insulating material which we waterproof and support.

Asbestos encased insulation board, for example, might serve this purpose. It has been used for exterior walls for a number of years with general success, but there have been instances of failure owing to delamination. Before it would be safe to use this material, it would be essential either to waterproof the asbestos board face completely, or to use a waterproof glue in the application of the face to the insulating board; also to seal the edges thoroughly with some waterproof compound of a permanent nature, possibly something similar to phenol formaldehyde resin.

Alternatives

Asbestos simply serves as an illustration. Mention of it does not imply that this is the only material which might be used for such a curtain wall. It is quite possible that insulation material might be encased in metal either of a non-rusting type or with some one of the new finishes which will effectively protect it against rusting. In this class would be the various enamels, new resin finishes, and possibly a pure zinc coating of a new type now under development. There is also a new type of expanded transite developed by Johns-Manville which offers great possibilities for use in a construction method such as this. Considerable work, too, has been done by the Homasote Company in the development of a new fire-resistant insulation board which might be used for such a wall.

Study of the housing market seems clearly to indicate that the home building industry will remain on the sick-list until it can supply attractive, salable dwellings at low cost. It may be that it can attain some measure of recovery through an evolutionary approach, skimming the cream of the mass-market with $2,000 to $3,000 houses made by somewhat improved but still traditional methods. But I do not believe that we will get full recovery in the industry until we develop a radically new type of low-cost housing, through centralized, impartial, and amply financed research. An organization for this purpose might follow the research set-up of the National Advisory Committee on Aeronautics, with equal representation from Government, industry, and the professions. Such an organization would be able within eighteen months to show a reduction in the cost of multi-family dwelling construction of from 25 to 50 per cent.

Much research has been done by various organizations and industries, but there is a need for a central, disinterested, co-ordinating body to combine their materials and methods in a single building and thus demonstrate what kind of synthesis is practical from both an engineering and an economic standpoint. For there to be no real, amply-financed, fundamental, disinterested research when billions of dollars are being spent on housing is surely extravagant economy.

SHALL STATE BOUNDARIES BECOME CHINESE WALLS?

EWING GALLOWAY

WITH THE GROWTH OF MOTOR TRUCKING HAVE COME MORE AND MORE BARRIERS TO INTERSTATE COMMERCE. WILL THEY INCREASE?

GEORGE R. TAYLOR

Professor of Economics, Amherst College

THE American public gives surprisingly little attention to the hundreds of laws annually placed on the statute books of the 48 States. True, some amused notice may be taken of the Wisconsin requirement that pie served in restaurants must be accompanied by a square of native cheese. Or possibly apocryphal stories may be heard of one State which fixed by law the length of sheets on hotel beds, or of another State which passed a law providing that when both a railroad train and an automobile approach a highway-railroad intersection both should stop and neither proceed until the other passed.

Recently, however, some serious public attention has been directed to the increasing number of State laws which raise barriers to interstate commerce. The publication in 1937 of the pioneer study "State and Local Barriers to Interstate Commerce in the United States," by F. E. Melder, and in 1939 of the United States Bureau of Agricultural Economics report "Barriers to Internal Trade in Farm Problems" has demonstrated the existence of a serious threat to one of our country's greatest economic assets—our national free trade market area. These studies show that directly and indirectly many State laws have begun seriously to interfere with the free interstate movement of many of our major products.

You are, let us say, a producer or distributor in the American market. Although an American citizen, you soon find that State boundaries are something more than imaginary lines. Here are just a few of the difficulties you may encounter. You cannot ship the highest quality of fresh eggs into Rhode Island with the assurance that you will get top prices because the most desirable designation in that market, "Rhode Island Specials," is reserved for Rhode Island producers. You won't try to sell Ohio milk or cream, even if produced under the most sanitary conditions, in New York City; you can't get the necessary inspection certificate from the public health authorities if you live west of the New York State line. Probably you won't find it worth your while to ship Wisconsin condensed milk into Pennsylvania (if the law is being enforced) for in order to do so you will have to pay the expenses of Pennsylvania officials while they inspect dairy farms in Wisconsin.

Certainly you won't go into the business of selling margarine in the State of Wisconsin, because in addition to high license fees you will have to pay a sales tax of 15 cents a pound. Would you be interested in shipping nursery stock into almost any State in the Union? Be sure you have the proper State licenses even if you contemplate but a single shipment. Also be on the look-out for elaborate quarantine regulations which are seldom identical in any two States. Perhaps you would like to send Louisiana strawberries to California in the boxes ordinarily used in Louisiana. You won't get very far; California has super-high standards on out-of-State berry boxes.

Don't try to sell out-of-State lettuce or other farm produce, except Massachusetts onions, in the farmers' market at Hartford, Conn. It's forbidden. You may wish to ship wine out of California, but be careful how and where you send it. Don't ship by tank car (the usual method) into Ohio. It's

illegal. You may decide to ship wine into Arkansas, but you must be prepared to pay a tax 900 per cent higher than that charged on wine from Arkansas grapes sold at local wineries. Don't go into the trucking business or ship by truck unless you're prepared for such difficulties as (1) payment of the annual license fee even for a single trip into Wyoming, (2) having to unload at the nearest railroad station in Texas, or (3) getting fined in Kentucky for driving a truck which is too long for Kentucky roads but legal in 47 other States. Finally if you want to teach first grade children in Connecticut it will help you to get a position in many localities if you establish your citizenship in the Nutmeg State before you apply for a job, or if you want to sell milk to State institutions in Massachusetts be sure to produce said milk in said State.

What has been happening in America? How shall we explain this bumper crop of State-line "don'ts" and "better nots"? Many factors are involved, but two appear predominant: first, the struggle to hold existing markets in an economy which has ceased its rapid expansion and, second, the disruptive effect of the motor truck on established market structures

Slowing Down

Especially since the World War business in this country has felt the effects of the slowing down of market growth. The exploitation of new markets abroad, despite the mushroom increase of foreign loans during the decade of the Twenties, is not what it was during the great period of the Nineteenth Century, when Western civilization was "modernizing" the world. At home our frontier, from an expanding market eagerly absorbing capital and labor, has become in some places the dust bowl, in others a depressed agricultural area. Even more important, our rate of population growth has steadily declined in recent decades. The effect of these changes, partially obscured by the postwar boom of New Era days, have been all the more evident in the slack years since 1929.

Probably no group has been more active in the struggle to preserve its markets than the dairymen. The efforts of butter producers have long been directed toward restricting the sale of margarine, a wholesome product customarily used as a butter substitute and made largely from the oils of such products as cottonseed, peanuts, and coconuts. Before 1929 dairymen did not succeed in getting the States to adopt legislation which was effective in seriously curbing margarine sales. During the present decade, however, their lobbies have persuaded State legislatures to pass drastically restrictive legislation in a number of important dairying States. Through the establishment of high license fees for margarine distributors and the imposition of sales taxes on margarine of from 5 to 15 cents a pound, they have greatly reduced margarine sales in important dairy States. The 15 cent tax levied in Washington and Wisconsin has resulted in virtually banning margarine from the markets of these States.

But if Northern dairymen were protected from the competition of Southern oils why should not markets for other Northern products be similarly protected? As a constituent of salad oils and as an ingredient for cooking compounds, cottonseed oil competes with corn oil and lard. So there is a tendency to extend the coverage of these non-revenue-producing taxes. South Dakota adopted a law in 1931 placing a 5 cents a pound levy on vegetable oils and vegetable cooking compounds *except* those made from corn oil. Although this law was later repealed, strong pressure for similar legislation has persisted in leading dairy States. Iowa has seriously considered a tax on all lard substitutes, and the session of the Wisconsin Senate this year had before it a bill proposing to extend the margarine tax to "cottonseed oil and other similar lard substitutes."

Two-Rate Tax

Grape and wine producers have sought to retain their local markets by a different legislative device. Thus in half a dozen States wine from "domestic" grapes is taxed at a lower rate than that from grapes grown outside the State. Similarly, leading barley States have made sure that barley shall not be replaced by rice in the production of beer. They stipulate that all beer manufactured in the State shall be made from 66⅔ per cent barley malt.

Of the weapons at hand by which local producers may monopolize State markets, none is more effective than the plant or animal quarantine. Officially, quarantines are supposed to have a sound biological basis. Actually, some do and some do not. One does not have to look far in the trade papers or

EWING GALLOWAY

State quarantine laws, which subject tourists to a search for fruit and shrubs, are supposed to have a sound biological basis.

ACME

Arrested Chicago trucker of Wisconsin cabbages pays Tennessee $22 on charge that outsiders do not pay usual local license fees.

even in the records of the plant or live stock associations to discover that not infrequently quarantines are motivated more by economic interests than by sound biological objectives. Louisiana has given official recognition to this state of affairs in her law of 1938 which places the same quarantine restrictions on other States which they place upon her.

All of the methods by which producers seek to protect their in-State markets cannot be illustrated here, but we may notice a sweeping Georgia law of 1935 which authorizes the State Commissioner of Agriculture to place an embargo on out-of-State fruits and vegetables when local supplies are "ample." It seems impossible that this law can stand up under court test, but we have here the logical development of the present tendency of producers to build Chinese Walls around their markets.

Main Cause

More than any other single instrumentality the motor truck has caused market changes which have promoted trade barriers. Truck transportation combined with modern improvements in refrigeration have greatly widened the area from which metropolitan areas draw milk and cream supplies. This extension of the milk-shed threatens the established markets of nearby producers. The result is tremendous pressure to stop, or at least restrict, out-of-State imports. Practically every Atlantic Coast State from Massachusetts to Maryland gives informal but none the less effective protection to local dairymen. Chiefly this is done through licensing and dairy farm inspection laws. State inspectors develop a peculiar aversion to crossing the State boundary for the purpose of making out-of-State inspections. Especially at seasons when local production is at a peak they are stricken with a sudden State-line phobia which prevents their leaving the State on licensing or inspection tours.

Other sanctions, also, are available to hold the out-of-State producer in check. Thus Rhode Island requires that out-of-State milk must be shipped directly into Rhode Island from the farm where it is produced. This in itself precludes large shipments from any appreciable distance. Even more effective are the informal pressures which in many States are brought to bear upon distributors. Distributors are required by law to conform to a host of detailed regulations, many of which are in the nature of ideal requirements rather than actually enforced regulations. As a result, the distributor who purchases out-of-State milk must watch his step. Let him increase his purchases over the State-line and the Department of Health or the Milk Control Board may promptly bring him to book for the violation of regulations which rarely are rigorously enforced.

The truck has challenged established markets in another important field. It has revived an old American institution, the itinerant merchant. As the automobile has brought back to life the inn and the road house, so the truck has rescued from oblivion the travelling merchant. Like the sailing ship captain of Colonial days, the merchant-trucker buys goods wherever they are plentiful and sells where they are scarce. But in doing this he upsets established institutions. He short cuts—often very successfully—the wholesaler, the jobber, and to some extent even the retailer. In parts of the Middle West the local cattle buyer who purchases cattle from nearby farmers and ships them by rail from the small town railroad station has been largely replaced by the merchant trucker who buys at the farm and transports the cattle directly by truck to primary centers often from 200 to 400 miles distant.

A similar development is taking place in the marketing of fresh fruit and vegetables. Florida oranges or Georgia melons which formerly moved by rail to wholesale dealers in Washington, D. C., and Baltimore, are now carried to a large extent by merchant truckers to these same markets and sold directly to retailers and in some cases even to the ultimate consumer.

Obstacles Sought

It is hardly surprising that obstacles to such new ways of doing business are sought by established wholesalers and hard-pressed railroads, or that State-line barriers should be utilized in the search for effective weapons. Of restrictions on trucks of the itinerant merchant there is almost no limit. But he also can be and is discouraged by two favorite methods. Most effective is the high license fee which in at least one State is higher for the out-of-State trucker than for the local one. In some States (e.g., West Virginia) he must pay a license fee in each county in which he does business. In addition he may be

subjected to many other requirements such as posting bonds, proving good moral character, and so on. Finally, having complied with all these requirements, he may very well find his chief outlet, the farmers' market, absolutely closed to him, either because he has not himself grown the products which he offers for sale (*e.g., New Orleans*), or because sale of out-of-State products is prohibited (*e.g., Hartford, Conn.*).

For any kind of truck transportation State lines are frequently effective barriers. Lack of State reciprocity laws and the imposing of high registration fees may make interstate trips prohibitively expensive. Add to this varying State standards as to permitted dimensions and net weights of trucks, and the result is that in at least some parts of the country interstate truck transportation is greatly restricted. The railroads and established middlemen usually favor such restrictions. Producers and trucking interests usually are in opposition.

Rival Interests

One example will illustrate the struggle between these rival interests. In 1933 South Carolina enacted a law which, among other drastic restrictions on motor transportation, limited the width of trucks to 90 inches, 6 inches less than that common in other States. The enforcement of this law would have wiped out most long-distance trucking. The law was no sooner signed by the Governor than the legislature, seeing new light, repealed the law. The Governor vetoed the repeal. Trucking interests fought the law in the lower Federal court, where it was found unconstitutional. The State, aided by the railroads, carried the fight to the United States Supreme Court, where, early in 1938, the decision of the lower court was reversed and the law declared constitutional. Almost immediately the State legislature of South Carolina repealed the act and the Governor gave his approval.

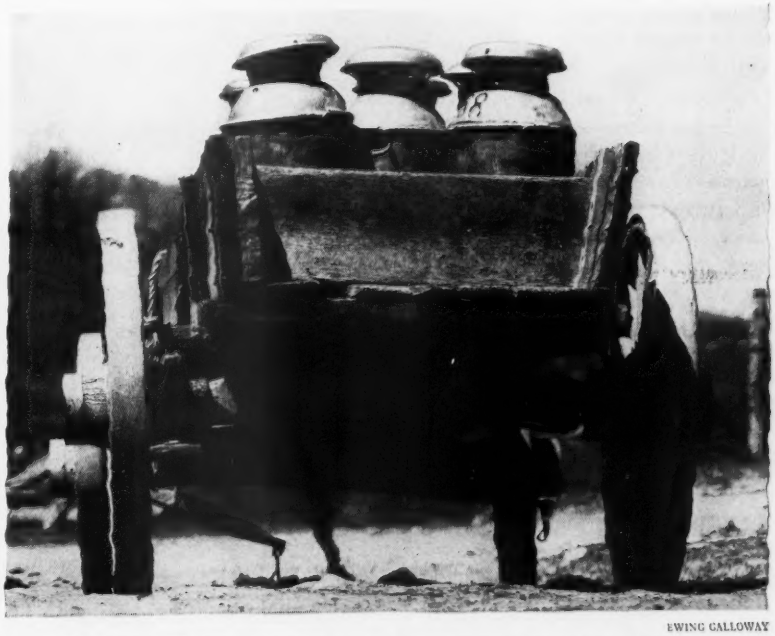
The argument exists, of course, that after all preservation of markets is not the real motive for these State-line barriers, but the incidental result of the need of the States to raise revenue, to protect public health, and to establish uniform weights and measures. There is enough in this position to give it some plausibility. But the fact is that State laws designed to secure safety, sanitary conditions, or revenue could be so drawn as to raise few if any serious interstate problems. Typically they are not drawn that way; nor is it intended that they should be.

If the State of Massachusetts must, in the interest of public health, require out-of-State farm inspection by its own inspectors in order to protect the Massachusetts public against contaminated milk, why should it not have the same standards for cream? If the State of Washington margarine tax of 15 cents a pound is really for purposes of raising money, why did not the State repeal the tax when it immediately became apparent that the new tax brought in practically no income?

If Arkansas truck licenses are levied for the purpose of raising revenue, why does this State require out-of-State trucks to secure Arkansas plates when crossing the State line *unless* they are entering the State empty with the purpose of leaving with Arkansas produce? And if Texas roads and bridges are so constructed that they will not permit truck loads of more than 7,000 pounds, why do they permit net loads of twice that weight to move to the nearest railroad station? Finally, why does a State already thoroughly infested with the alfalfa weevil erect an alfalfa weevil quarantine against an adjoining and similarly infested State?

The Future

What of the future? Are there no forces to keep the trade-barrier movement from growing until we have 48 self-supporting States instead of one great national market? Fortunately such forces do exist, and there is at least some hope that they may prove sufficiently strong to reverse the trend toward State autarchy. The Federal courts are one bulwark. For example, when Minnesota legislated that all meat sold within the State must be subjected to inspection by Minnesota inspectors



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When most milk found its way to market by slow cart and unrefrigerated train, fear of out-of-State competition was scant, protective legislation equally unimportant.

within 24 hours after the animals were slaughtered and when New Hampshire said all margarine must be colored pink, the Federal courts declared these laws unconstitutional.

In actual fact, however, the courts alone can help but little. If the State legislature declares a law is for a particular purpose the courts are reluctant (especially in cases involving the revenue powers) to look beyond the purpose as stated in the law. Thus when the legality of the Washington margarine tax of 15 cents a pound was called in question the Supreme Court accepted on its face value the statement in the act that its purpose was the raising of revenue. Often, too, restrictions are informal and not easily reached by court action. When the City of Baltimore limited its milk inspection area to a distance of 50 miles from the city, the courts found that restriction unconstitutional. Yet, substantially the same result may be and is secured by numerous cities and States merely by refusal of health authorities to inspect distant farms.

Although the courts may be helpful in dealing with certain obvious cases of interference with interstate commerce, probably much more important is the resort by State legislatures to reprisal or the threat of reprisal. Governor Julius P. Heil reports that manufacturers in Wisconsin have lost millions of dollars in sales because of resentment over the Wisconsin margarine law in Southern States. He is receiving strong backing from Wisconsin manufacturers in his drive to repeal the tax. A number of Eastern States have seriously considered the adoption of the port-of-entry system for dealing at the State-line with out-of-State motor trucks, but have been dissuaded from passing such laws by threats of similar action by neighboring States.

Recently the legislature of the State of Massachusetts had before it a bill providing that Massachusetts State institutions should purchase all cream supplies solely from Massachusetts producers. No great opposition appeared to this bill in the Massachusetts legislature until the State of Vermont threatened to retaliate by boycotting Massachusetts road building machinery. The mere threat of such action appears to have been sufficient to kill the bill. Of course there is always the possibility that retaliatory legislation may lead to a further increase in legislation restrictive on interstate trade. This is exactly what happened for several years in beer and wine legislation, but the present trend is apparently toward the removal of barriers in this field. Certainly States must go very slowly in actually passing retaliatory laws, for there is always the possibility that, as with international tariffs, retaliation may lead to further retaliation and the result may be a general increase in trade restrictions.

Finally, some help may be expected from an increasing popular awareness of the problem. Once there is intelligent awareness of the threat which exists to our national markets effective pressures may be built up against such laws. Already popular attention is beginning to focus on the issue. Bills have been introduced in both houses of Congress for an investigation of the problem. The Council of State Governments devoted its session last Spring to a study of State trade barriers and passed a resolution deploring their growth. The Association of the Southern State Commissioners of Agriculture has adopted a resolution condemning State interference with interstate trade, and the New England Council has made a study of the subject a part of its current program.

Here appears the most hopeful ray of light in a dark picture. For if the present tendency toward Balkanization of the United States is to be stopped an essential early step is the development of public awareness of the problem.

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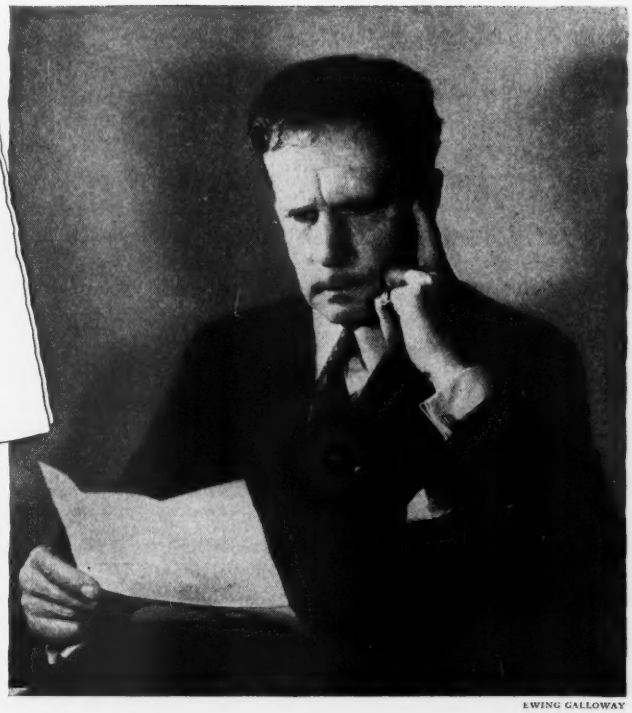
With swift motor trucking and improvements in carrier refrigeration the established markets of nearby producers have been threatened. Probably no group has been more active in protective efforts than organized dairymen.

What sort of letter comes from your office to answer youngster's scrawl or housewife's script when on the surface there seems no chance of a sale? Does it offend or befriend? Or don't you care?



EWING GALLOWAY

THE CARDINAL QUALITIES *of a* GOOD BUSINESS LETTER

ARTHUR H. LITTLE

ONCE upon a time years ago a boy sat down and, with an eager fist, wrote a letter.

The boy loved automobiles. Most of the makes he knew on sight. Many of them he knew by ear, and some of them by smell. To the president of the company that made a car he greatly admired—we can call it the Axelson—the boy wrote:

> Dear Sir:
>
> Will you please send me a catalogue of your models?
>
> I shall thank you very much.

The catalogue came. With it came a letter whose words and whose spirit burned themselves deep into that boy's memory. The letter read:

> Dear Sir:
>
> I am sending you the catalogue you requested. I hope you intend to buy. If you don't, please don't take my time from the man who does.

Of course, the boy didn't buy a car. But his father did. His father bought, not an Axelson, but a White.

The boy grew older. In time, he bought cars of his own. But he never bought an Axelson, and for two reasons: with an abiding hatred he hated Axelson and all his works; and before the boy was old enough to buy a car, Axelson had gone bankrupt.

Since those benighted days, of course, business management pretty generally has learned Lesson Number One in the Book of Public Relations. The lesson reads: Never offend! Lesson Two admonishes: In every contact between your business and the outside world, try to win friendship. Because friendship speaks simply, it would take much

thought to think of a better reason for stripping business letters of meaningless verbiage and framing their thoughts in language simple and straightforward and sincere.

Now, of course, the company president who rapped a boy's knuckles for asking for a catalogue sincerely believed that he—the president—was disposing of a nuisance. Only with extreme difficulty could anyone have convinced him—the president—that he had offended against propriety. Yet it is with propriety, in this narrower sense and in a broader one, that English composition, whether it compose a business letter, or a sonnet, or a novel, or a lyric poem, must seriously concern itself.

The principle runs back. It was known to Cicero. Of the technique of eloquence, the orator who with words alone vanquished Cataline said this: "Whatever his theme, he [the orator] will speak as becomes it; neither meagerly where it is copious, nor meanly where it is ample, not in *this* way where it demands *that;* but keeping his speech level with the actual subject and adequate to it."

On the score of propriety in this sense, in one of Jowett's "Introductions" to Plato, you'll find a sentence that seldom has been surpassed as a definition of capable style:

"The perfection of style is variety in unity, freedom, ease, clearness, the power of saying anything and striking any note in the scale of human feelings without impropriety."

If, then, a decent regard for propriety, for appropriateness, for adapting manner to matter, lies so close to the heart of effective expression, why need business correspondence, which concerns itself mainly with relationships and circumstances relatively simple, take on the trappings and at times the turgidity of international diplomacy?

A customer writes to say that a pump he bought from us isn't pumping. Do we assure him that we're sorry and that we'll move heaven and earth to make sure that his pump does pump? We do. But sometimes we labor in the process and bring forth language that, so we hope, will overwhelm him, not with our personal interest in his non-pumping pump, but with our position in our industry, our reputation, and our knowledge of business formalities.

Perhaps this is the first of our pumps this customer ever has owned. Perhaps it's his first pump of any kind. With perfect propriety, he regards that pump as one of the major facts in his life; and of its failure he feels as if the sun of his cosmos had been quenched. And too often we, when we answer his letter, set out to floor him in our opening paragraph with the casual remark that, of pumps like his, we've built millions, and that seldom has one of our pumps, through any fault of its own, failed in service. Seldom, he thinks as he reads our letter, is often enough for him. But, we go on, if he can prove that his pump actually is defective— Prove it?, he thinks. Look at the infernal thing!—why then we shall repair the same or replace it, depending upon which course of action we deem equitable in the circumstances and, awaiting his further favor, we remain sincerely his.

Whereupon, swearing fervently, he drafts his further favor and, awaiting our further favor, joins a consumers' union.

Three Others

Lecturing at the University of Cambridge, the brilliant Sir Arthur Quiller-Couch placed propriety first of four cardinal qualities of workmanlike writing. His three others were perspicuity, accuracy, and persuasiveness.

Of perspicuity, Sir Arthur said: "I shall waste no words on the need of this: since the first aim of speech is to be understood. The more clearly you write the more easily and surely you will be understood. I propose to demonstrate to you further that the more clearly you write the more clearly you will understand yourself."

With profit to his listeners, the visiting King Edward Professor of English Literature might have devoted to this point a great deal of time. For, although he kept his promise to prove that clarity in writing demands clarity in the writer's mind, his scholarly assumption of a parity of understanding among his listeners permitted him to under-emphasize this fact:

Unless, as he writes, a writer knows precisely what it is that he's trying to say, nobody else ever will find it out!

The letter writer who, before he dictates a word of a sentence or phrase or clause, asks himself, "Just what *is* this thought of mine?" and who then answers honestly his own question will avoid, nearly always, the kind of misexpression that rolls upon itself and entangles its own ends—and befuddles its recipient.

The letter writer who asks himself, "Do *I* know what I'm trying to convey?" will avoid involved constructions; for if, at first glance, a thought appears involved, he will approach it more closely and peer at it more intently. And if still it appears involved, or massive, or too heavy to be lifted from his mind to the page, he will command himself: "Break it up! Cut it down to your size and then deliver it, not in a mass, but piecemeal—not in one sentence, but, if need be, in a dozen sentences."

Right often, a business circumstance presents two or more alternative "propositions," two or more alternative courses of action. These courses and their consequences a letter writer undertakes to map out and explain.

Shall he roll them into a wad? If he aims at his recipient's bewilderment, he surely will. On the other hand, if he hopes to enlighten, he will stand off from his problem and squint his mental gaze as a painter squints his eyes to heighten outlines and highlights and shadows; and he will see his problem, say, as a tree.

Now, as he dictates, he will explain in his opening that here is something that ramifies in the directions of A, B, C, D, and E. Thus he blocks in the bole and the trunk. And now, at his leisure, with his task fully under his

command—and to the comfort and convenience and understanding of him who will read this letter—our letter writer traces out to its ultimate tips each of the ramifying branches.

To Be Understood

Of accuracy, our third cardinal quality of effective English, Quiller-Couch exclaimed, "Surely, no Cambridge man would willingly be a sloven in speech, written or oral!" Yet as he well knew, and as we well know, we strive for accuracy in business correspondence, not because thus we attain good form, but because, again, we hope to be understood.

Of course, for every concept we seek the right word, if possible the colorful word, the lively word, the connotative word. But we're safer, generally, if the right word turns out to be a little word, well known. I recall a letter, a paragraph of which kept me puzzled for days. My correspondent, essaying a fancy step in diction, had dropped into his discourse the word *mitigate*. Only with the aid of a brew of induction, deduction, and a dash of phonetics, was I able to determine, finally, that he meant *militate*. It did make a difference!

For clarity, for accuracy, we're urged to write simply, to write as we talk. I know of no better advice. As we talk, so we think; and, conversely, we all think in words.

"Thought and speech," said Cardinal Newman, "are inseparable from each other. Matter and expression are parts of one; style is a thinking-out into language . . . When we can separate light and illumination, life and motion, the convex and the concave of a curve, then will it be possible for thought to tread speech under foot and hope to do without it—then will it be conceivable that the vigorous and fertile intellect should renounce its own double, its instruments of expression and the channel of its speculations and emotions."

Until we do renounce our doubles, it seems safe and proper and accurate to write as we talk; for as we talk, we think, and as we think, we are. If we *are* the kind of men who scold prospective customers by mail, then so be it. We cannot change. Eventually our businesses go broke; and that eventuality, if you ask me, appears as one of life's grandest examples of natural, automatic justice.

But if within our souls we harbor a reasonable measure of good-will, if we aim to please and, by pleasing, win friends and patronage for our houses, and if we write simply and naturally, nor fear, with propriety, to let our hearts shine through, then we shall write effective letters—letters that scarcely can fall short of attaining our fourth cardinal quality, which is persuasiveness.

Addressing himself to a consideration, not of business correspondence, but of *belles-lettres*, Quiller-Couch found that persuasiveness "embraces the whole—not only the qualities of propriety, perspicuity, accuracy, but many another, such as harmony, order, sublimity, beauty of diction; all, in short that—writing being an art, not a science, and therefore so personal a thing—may be summed up under the word charm."

And on behalf of charm, even in a business letter, there is far more to be said than I have room here to say. We say of a business executive, "He writes a good letter." If we analyze what he writes, we find charm, indeed. Sadly, we say of social intercourse, "The art of letter-writing as one of the social graces died with the Victorians."

Yet often a business letter must do more than lull its recipient into a fog of good feeling. Often a business letter must sell—sell by persuasion, perhaps, but sell. Here, indeed, must we enlist logic. Here must we enlist at least some understanding of psychology. Here we must arrive at an estimate of how the recipient thinks or feels and of how, by our words, he may be induced to think, to feel—to act.

Here, if we write wisely, we shall worry but little about ourselves and our stock of unsold goods and greatly about our recipient's instincts and desires and aspirations.

Here we develop a story, an argument; and here, if we expect returns, we tell our recipient, fully, what he is to do about it.

Nor do we cease to listen to the voice of propriety. Still we adapt manner to matter—and, incidentally, we mind our manners. On the street, it is the part of fellowship to shout at an endangered pedestrian, "Look out for that manhole!" At a formal dinner, at least one pair of eyebrows would rise very high if you were to roar at your hostess, "Madam, unless you do something about those blackheads, you'll wind up in the gutter!"

Here, if we think and write wisely, we shall write into our letter a quality that Quiller-Couch failed to mention—the quality of force.

Living Words

Force we attain by selecting words that move and breathe and feel. By preference, we avoid the abstract noun and the passive-voice verb. "A word," ruled Justice Holmes, "is the skin of a living thought." And who are we to stand in contempt of court?

Force we further attain by massing our sentence-elements, forehandedly, to give each word and phrase its best chance. In every sentence there are two stress-points, the beginning and the end; and of the two, the end position, mainly because it lingers in the memory, is the more important. For the end position in every sentence we hold in reserve that word or that phrase that we aim to drive home.

The task is done. Our letter lies before us. And now one point more. If, in the haste of our affairs, we sign our missives with what looks like a foreshortened lattice slightly off its base, let's be sure that somewhere on the page our name appears in honest, open-faced type. For thus, when he answers us to say, "I was wrong and you are right and I am sold!" we shall save him from saluting us: "Dear Mr. Wiggle."

WAR-TIME CASUALTIES *on* THE BUSINESS FRONT

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IN THE drama of war-time failures the first scene must be laid a few years before the outbreak of hostilities in July 1914, and the final curtain cannot be rung down until some time after November 1918. The span of time, in all, is thirteen years—from 1911 through 1923. During those years the United States experienced not only war prosperity with few failures, but post-war depression with failures greatly increased in numbers.

Year after year, failures move contrariwise to general business conditions and are so sensitive to business changes that very little lag is apparent between an upturn in business and a decline in failures, or a decline in business and an increase in failures. This inverse correlation is apparent (chart I) in the years 1911-1923.

The period immediately preceding 1914 was one of business uncertainty: industrial production was falling; the stock market was falling too; prices were unsettled. This condition was reflected in the failure record by gradually increased numbers of failures during 1911, 1912, 1913, and into 1914. The moderate upward trend was accelerated in April 1914, and in each successive month during the rest of 1914 the number of failures increased rapidly, until the peak was reached in January 1915. The actual declaration of war in July 1914 had no apparent effect upon the tempo of the upward movement, the momentum of which carried failures up for six months after war had begun.

The direct relation between increased orders and solvency then took hold; failures turned downward and steadily diminished in number throughout the "war prosperity" until the beginning of 1920.

During the period of rapidly declining failures between 1915 and 1920 the United States entered the war. This action in April 1917 was followed immediately by a sharp but not excessive rise in failures. A bulge on the smooth downward course of failures appears in the charted record from then until the Armistice was signed in November 1918.

February 1920 was another turning point in the course of commercial and industrial failures, and during the post-war depression period failures, with the exception of an erratic movement early in 1921, rose steadily for two years, reaching another peak in 1922.

During the war-prosperity period failures were fewer in number, in comparison with the number of firms in business, than at any other period in our history. The failure curve swung much lower than the upward course of business activity alone would seem to warrant. The prosperity was characterized not only by high rates of production, but especially by high wages, which increased the buying power of

I. COMMERCIAL AND INDUSTRIAL FAILURES DURING THE WORLD WAR COMPARED WITH THE CLEVELAND TRUST COMPANY INDEX OF BUSINESS ACTIVITY

the public to a point where it could better sustain the distribution structure.

Forces in operation in the entire period acted with remarkable uniformity on both manufacturing and trading concerns, (chart II), although trading failures were the more flexible and both rose and fell a bit more sharply than manufacturing failures.

The secondary set of lines in chart II shows the trend of large failures—those with liabilities in excess of $100,000—in each group. Whether or not large concerns picked up the war business first, by 1915 they were experiencing fewer failures at a time when failures among smaller concerns were still on the increase. Through 1916 the decrease in large failures was rapid, but by 1917 the results of overexpansion appeared and the rapid decline in big failures was halted. When the turn came in 1920 the weak among the large were the more rapidly weeded out.

Not only is there a marked relationship between business activity and failures, but there is an equally logical relationship between prices and solvency. Inventory profits on rising prices can forestall failure; inventory losses on falling prices can hasten it.

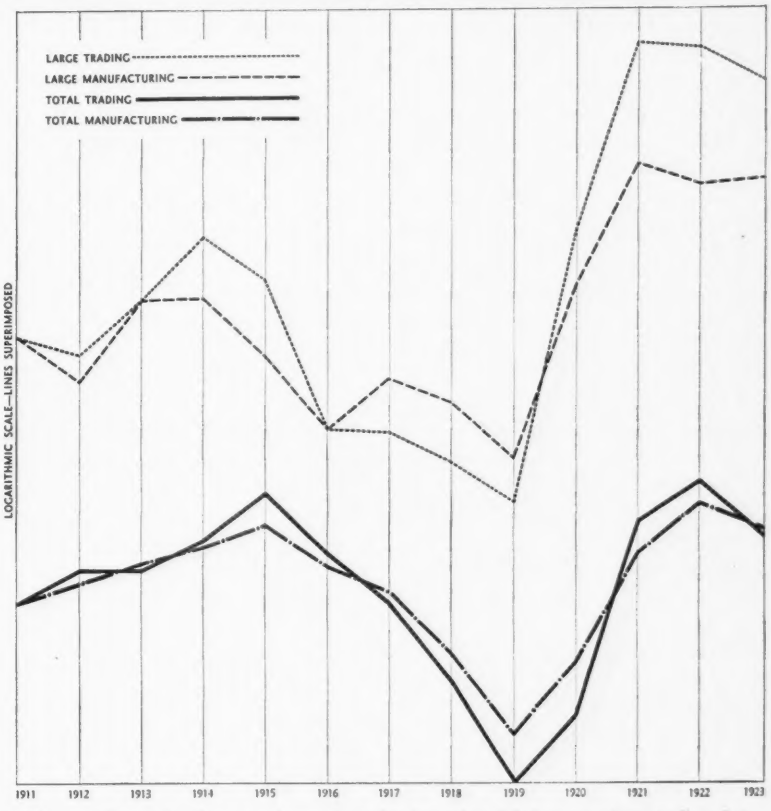
The initial impact of the war, as the *Commodity Year Book, 1939* reported, was to drive a wedge into the general commodity price level and to force certain commodities sharply upward and others sharply down. The net result was no change through 1914 and much of 1915 in the general level of prices which had prevailed in the years immediately preceding the war. In 1915 the prices of many commodities which at first had dropped started up, and the 1916 average was considerably higher. This point corresponds with the downturn of failures.

With the entrance of the United States into the war came sharp price rises, which in turn led shortly to government control. During the period of price control, in the latter part of 1917 and in 1918, failures—though still continuing their downward trend—were somewhat out of line with the general long term descent (chart I). They continued to seek slightly lower levels during the period of price speculation in 1919, but the rate of decline had slackened considerably and the degree of reaction to price changes became less apparent. It may be significant that the rise in the number of failures starting in February 1920 preceded by at least three months the beginning of the drastic fall in prices beginning in May.

Manufacturers of iron and steel products and machinery were among the first to feel the effects of increased war business, and failures in these lines showed no increase in 1914 and 1915. Increased failures, however, were reported in 1917, and from that time on the general level of failures of such concerns was higher than the average. Textile and knit goods failures also showed no rise in 1914 and 1915, and the rate of decline to 1919 was very sharp. Failures of milling and baking concerns, on the other hand, rose sharply in the first years of the war, were frequent during the entire period.

Professional and amateur crystal gazers without number have been forced to recognize that history seldom repeats itself. Yet all of us, groping for relief from complete uncertainty, return again and again to records of that which has been. As we regard all recorded history, so it is that we may look upon the record of industrial and commercial failures—with caution, but with hopeful scrutiny.

II. Failure Trends During the World War, by Business Function and by Size of Liabilities



The 1911 figures for these superimposed graphs of number of failures are: large trading, 84; large manufacturing, 181; total trading, 9,480; total manufacturing, 3,502. The vertical logarithmic scale (equal distances represent equal percentage changes) is such that seven-eighths of an inch indicates a 100 per cent increase or a doubling of the number of failures.

THE CHAINS ADJUST THEMSELVES *to* STATE TAXATION

REINHOLD P. WOLFF

TO HELP the small merchant, 25 States have laid punitive taxes on chain stores.[1] While the origins of such discriminatory tax legislation may be traced back as far as 1925, it is in very recent years that the movement has gained most of its strength. States which have not yet enacted laws are considering such measures, and a bill sponsored by Congressman Patman proposes to lay a high excise tax on national chains.

Of all recent laws which interfere with the retail business, the chain tax measures are taken most seriously. They have caused far-reaching changes in the marketing structure of American business, and despite recent setbacks they probably will continue to hold manufacturers' and distributors' attention. In that they strike at the very structure of the chain as an institution, they are basically different from such laws as the Robinson-Patman and Miller-Tydings Acts, which were only devised to eliminate supposed functional abuses.

No clear pattern can be perceived in the effects of chain taxes on our system of distribution. They appear to be rather haphazard. The effects on food stores or gasoline stations are as different as the two kinds of stores. While certain types of chains have taken heavy punishment, others have hardly been scratched. Like all laws which lay down streamlined rules for the conduct of business, anti-chain acts have the weakness of operating discriminatorily. If applied to varied conditions the uniform rules go astray, and the analyst is at a loss to know how to assemble the fragmentary results into a bundle of generalizing statements.

One effect of chain store legislation stands out before others. It has generated a tax scare which has influenced chain merchandising to a larger extent than the actual tax burden. Although very few marketing trends can be directly and solely traced to chain taxation, indirect effects are quite apparent, especially in the food field.

The Chains Act

Very early the chains realized the danger of the approaching flood of chain taxes. Their policy was to build dams against this rising tide in such forms as reduction in number of units, departmentalization, and self service. Though the floods did not break in with the anticipated force, the dams stand and have served to strengthen the chains for possible future shocks.

A puzzling variety of anti-chain bills and acts, discriminatory license fees, sales taxes, and other measures have been promoted by independent dealer interests in cities, States, and the Nation to make life hard for chains. Not all of these measures strike exclusively at the chains. Some are levied on all retail stores. Others, like the now-slumbering undistributed profits tax, hit at corporate business. Some levies are aimed at all large stores regardless of their type of operation. We will confine our study to the special taxes placed on chain stores. Even within these limits the variety is amazing. While the bulk of the taxes is provided by State laws, and the most usual type imposes a license fee on each store, there is hardly one tax like another.

Most of the acts use graduated tax schedules, increasing their rates as the number of stores grows. The heaviest tax burden rests on the longest chains, those with the largest number of units. Only a few States, like Florida and Idaho, impose an equal tax on each store, regardless of their total number. Tennessee classifies the tax according to floor space. Georgia and Minnesota subject mail-order chains to higher rates than other stores. Normally the tax is based on the number of stores operated within the State, but Louisiana since Huey Long's time has penalized national chains by taxing each store on the basis of all stores which the chain

[1] At present, chain store taxes are in operation in 20 States. Since 1931 Arizona, California, Kentucky, Maine, and Pennsylvania have repealed their chain tax laws or had them rejected by the courts.

Though they are neighbors on Main Street, chain stores pay special taxes, independent shops do not, in 20 States.

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Chain-store taxes have brought a trend to larger units, encouraging further cross-breeding of drug and cigar stores.

operates anywhere. Thus, in Louisiana the large national chains pay the maximum fee regardless of the number of their stores in this State. The Great Atlantic & Pacific Tea Company attacked the constitutionality of this type of graduated tax, but the Supreme Court has allowed it to stand. (*The Great Atlantic & Pacific Tea Co.* vs. *Grosjean, 301* U. S. 412.)

For smaller chains with less than 100 stores the tax rates are usually low. Relatively high taxes are imposed by Florida and Idaho, where they amount to $400 and $500 per store. In Texas the tax exceeds $500, and in Colorado chains between 50 and 100 units are taxed up to $300 per unit. The larger systems which reach or exceed 500 stores face a considerable tax burden also in Kentucky and Mississippi, where the fee approaches the $300-mark, in Pennsylvania where it reaches $500, in Louisiana where it climbs to about $550, and in Michigan where 500 stores are taxed $242 each. More generally we might call the chain tax negligible for smaller chains in all but three States. For larger store systems the rates might be termed moderate in more than half of the States.

To be more concrete, let us examine what the total amounts paid under these State taxes were for some of the large food chains in 1937. The largest one, A & P, has not made public the number of its stores in each State. Kroger Grocery & Baking Company, next in size, probably paid in 1937, judging by the number of units operated in each State, about $300,000, which is equal to 6 per cent of their net profits in that year. The next largest, First National Stores, did not pay a single cent of special chain store tax, since it operates in New England States, where no special chain taxes are levied. At the other extreme we find the American Stores, for the most part in Pennsylvania and neighboring States. This organization carried the highest tax load until the Pennsylvania tax law was invalidated this year by the State Supreme Court; in 1937 it amounted to one-half its profits. However contrasting and diversified these figures are, they show that even the large organizations have not yet been taxed out of existence.

If the tax burden appears not to be too extravagant, one may ask, why the wide repercussions? The answer in part is to be found not only in those taxes which have been imposed but in the still heavier ones that incessantly threaten. At one time 400 tax bills were reported pending in State legislatures. Few if any people knew the exact wording of these bills, few were able to form an opinion on their chances to pass the legislative bodies or the judicial scrutiny which would follow. Few people were able to forecast their meaning for the market. There is the continued threat to chains that anywhere from Maine to California an adverse State tax law of the prohibitive type may be sprung, creating the unpleasant alternative of either closing the stores or accepting the profit-clipping tax.

South *vs.* North

It also matters that chain store taxes are by no means the only increasing items in the budget of the larger organizations. In addition to special chain taxes, sales taxes of varied denominations and amounts, social security charges, increasing wages, and other items are contributing to the discomfort of national chains. All these factors together provided ample reason for chains to make major adjustments in their form of organization and methods of functioning even before the tax

CHARLES PHELPS CUSHING

menace reached its present dimensions.

Anti-chain store feeling is strongest in the South, where almost every State has one anti-chain measure on its statute book and where city taxes as well are applied. Of the most populous States only Pennsylvania, Indiana, and Michigan have imposed taxes, and the Pennsylvania tax is no longer in force; there are no chain taxes in New England or on the Pacific Coast. A California tax was defeated by popular referendum. It had been anticipated that this difference in attitude between regions would be reflected in differences in regional effects. Yet we have no evidence that response to the tax has been more accentuated in the South than in the North. More generally it may be said that to date no visible recession of chain business has occurred in the tax States. Evidence to this effect which some time ago was assembled by Dr. Willard L. Thorp[2] is corroborated by more recent figures. It has been found that the national food chains have reduced their outlets in tax States only slightly more than in the tax free States (table I).

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Line of Separation

A more discernible line of separation runs between the "large" and the "long" type of chains. The "long" chain, the organization with a great number of store units but with relatively low volume of sales per store, is typically found in the food business and in shoe retailing. The "large" chain, which has a smaller number of stores but does a large amount of business in each store, is typical in the limited-price variety and department store fields. A tax graded by store units is harder on "long" chains, a tax classified by sales volume is more burdensome for "large" store systems.

In the early legislative attempts both methods were used and both were attacked as arbitrary and unconstitutional. The Supreme Court approved of the unit classification (*State Board of Tax Commissioners of Indiana* vs. *Jackson* 283 U. S. 527, 1931) and disapproved of sales volume classification (*Stewart Dry Goods Co.* vs. *Lewis*, 294 U. S. 550, 1935). What Justice Cardozo, who dissented with two other liberal judges from the latter decision, termed a "Procrustian formula" guided State legislatures thenceforth. The standard of unit numbers is generally accepted. It is primarily this classification which has prompted chains to grow "large" and "short."

Unless all signs fail, the small red-fronted stores of the A & P may virtually disappear within a decade or so. They will be replaced by super markets and self-service stores of entirely different appearance, location, and size. This is one and perhaps the most evident product of the chain tax threat. While in State legislatures bills were discussed which proposed heavy taxes on small but numerous stores, the chains quietly prepared to meet the most threatening situation in their history. Their answer to the tax challenge was larger and fewer stores.

Shortly after the first tax measures against chains were enacted in 1925, the A & P inaugurated a new program, and other grocery chains followed swiftly. Between 1929 and 1936 the total number of food chain stores decreased from 53,000 to 42,000 stores. In recent years, the A & P has closed its small stores at the rate of about 1,500 a year. But as fast as the old corner stores disappear, new outlets take their place—if not in number, at least in volume. These outlets are as different from the little corner grocery as R. H. Macy's department store is from a small town dry goods store.

The full measure of this revolution in food retailing is revealed by the increase of single store sales. Average sales of independent groceries are in the neighborhood of $10,000; those of the old type of A & P store near $60,000. A new A & P super market has a volume of about $750,000 and a self-service store of one of the large food chains sells between $100,000 and $250,000 annually. The A & P has been the pacemaker in this development. While operating in 1937 only 225 units of the super market type, the A & P now runs about 900 such stores, and their sales account for about 30 or 35 per cent of A & P's total volume. American Stores operates 80 super markets and Kroger and Safeway 35 or 40 each. The Econo-

[2] "Economic Planning via Chain Store Taxes," DUN'S REVIEW, August 1937.

my Grocery Stores reduced the number of their stores by about 60 per cent and replaced them with larger units. The Union Premier Stores, of Philadelphia, adopted the new policy most consistently, transforming their chain system of 26 neighborhood stores with $1,600,000 of sales in 1933 into 22 super markets with a present business of not less than $13,600,000. According to expert opinion the chain tax has been the strongest motive for the chains' adoption of super market merchandising.

At present the chain store share in super markets is estimated at 62.4 per cent. In this percentage "old line" chains participate with 46 per cent and new chains with 16.4 per cent. The super markets operated by chain stores are usually somewhat smaller than independent super markets. They range from 6,000 to 10,000 square feet, while independents' markets reach 40,000 square feet.

Not all of the transformed or newly-opened units of chains are super markets. Many are self-service stores; of these some are large markets of almost super market size, some smaller units of the neighborhood type. At present some 7,000 to 10,000 stores, or about 25 per cent of the total number of food chain units, are of the self-service type.

To appraise the full impact of the chain store tax we cannot be satisfied with finding out what the chains have done. We must venture into some speculation as to what they would have done, had not the tax menace intervened. One very probable development which has been cut short by the tax is expansion of food chains in small towns. Many chain executives feel that there is a definite place for chain units of modest size in smaller communities or in larger cities in residential sections which are less troubled by traffic congestion. The chain tax threat appears to have acted as a stumbling block to such decentralization. Similarly, the trend toward establishing branch stores of department stores in suburbs and residential sections has been slowed up.

The small independent food dealer for whose benefit chain taxes were instituted has so far no reason to rejoice. The development towards the super market has intensified rather than attenuated price competition. When food chains closed their neighborhood units to open super markets some food merchants saw a chance, and new neighborhood stores under independent management sprung up near the old locations of the closed stores. But the enormous sales volume of the super markets drained business away from local stores. In other words, there seems to exist a trend toward a rather constant number of convenience stores, but with diminishing sales.

Self-service, customers themselves drawing groceries from the shelves, now prevails in about one-fourth of all chain food stores.

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Associated Stores

While most of the food chains have found the answer to the tax question in fewer stores, others of them have devised a contrary solution. They have organized a larger number of smaller stores under independent management. These so-called "associated" stores are supplied from the chains' warehouses in a similar way as members of a voluntary group. The Safeway chain has organized its California outlets in this way. More spectacular have been the accomplishments of Western Auto Supply, a chain of 175 rather large auto accessories stores operating in States east of the Rocky Mountains. In small communities this organization added to its own stores a large number of very small, independently-owned stores supplied completely from its warehouses. In 1937 the company had more than 900 of these associated stores, and its total sales increased by about 50 per cent within a single year. But the recent decision of the Supreme Court of Colorado subjecting 30 individually owned and operated Colorado outlets affiliated with the Gamble-Skogma Company to the Colorado chain-store tax raises doubts as to the feasibility of "associated stores" in tax States.

Another consequence of chain taxation, although less directly traceable, is departmentalization. Cigar chains are transformed into large store systems with a wide assortment of novelties, books, candies, toys, sundries, notions, and other merchandise. One cigar store chain has melded a large portion of its units with a drug chain and is now ex-

I. Chain-Store Companies' Adjustments to Chain-Store Taxes—Number of Stores,[1]

STATE[4]	Date of Tax Law	Food												Shoes		
		American			Kroger			National Tea			Safeway			Melville		
		1935[2]	1937	1938	1936	1937	1938	1936	1937	1938	1936	1937	1938	1936	1937	1938
Alabama	1935	..	..	..	..	..	..	..	..	..	..	..	..	5	5	5
California[5]	1935	..	..	..	..	..	..	..	..	..	1,296	1,225	1,136	..	..	..
Colorado	1934	..	..	..	..	..	..	..	..	..	193	193	168	4	5	4
Florida	1935	..	..	..	..	..	..	..	..	..	..	..	..	9	10	10
Georgia	1937	..	..	..	40	42	40	..	..	..	..	..	..	8	8	7
Idaho	1933	..	..	..	..	..	..	..	..	..	38	38	38	..	..	..
Indiana	1933	..	..	..	358	346	338	17	14	13	..	..	..	16	18	18
Iowa	1935	..	..	..	3	3	3	59	73	38	8	8	8	5	6	6
Kentucky[6]	1934	..	..	..	214	196	181	..	..	..	..	..	..	7	7	7
Louisiana	1934	..	..	..	..	..	..	..	..	..	..	..	..	7	7	7
Maine[7]	1937	..	..	..	..	..	..	..	..	..	..	..	..	3	3	3
Maryland	1933	241	229	190	..	..	..	..	..	..	77	34	33	11	12	12
Michigan	1933	..	..	..	734	701	670	8	8	9	..	..	..	24	32	34
Minnesota	1937	..	..	..	1	1	1	123	122	112	..	..	..	7	7	7
Mississippi	1936	..	..	..	36	35	38	..	..	..	..	..	..	4	4	4
Montana	1937	..	..	..	..	..	..	..	..	..	48	45	48	..	..	..
North Carolina	1935	..	..	..	5	3	3	..	..	..	..	..	..	7	8	8
Pennsylvania[6]	1937	1,771	1,629	1,532	155	137	143	..	..	..	..	..	..	55	56	57
South Carolina	1930	..	..	..	..	..	..	..	..	..	..	..	..	4	4	4
South Dakota	1937	..	..	..	..	..	..	8	10	8	0	1	1	..	..	..
Tennessee	1937	..	..	..	134	133	125	..	..	..	..	..	..	8	9	9
Texas	1935	..	..	..	..	..	..	..	..	..	155	167	165	21	24	23
West Virginia	1933	4	4	4	110	107	105	..	..	..	..	..	..	5	4	4
Wisconsin	1937	..	..	..	117	110	109	120	120	116	..	..	..	8	8	7
Total in States with Taxes		2,016	1,862	1,726	1,907	1,814	1,756	335	347	296	1,815	1,711	1,597	218	237	236
Total in Tax-Free States		820	758	690	2,307	2,298	2,236	886	858	807	1,274	1,309	1,276	425	439	427
TOTAL STORES		2,836	2,620	2,416	4,214	4,112	3,992	1,221	1,205	1,103	3,089	3,020	2,873	643	676	663

STATE	Date of Tax Law	Limited Price Variety Stores						Drugs			Dry Goods and Department Stores					
		W. T. Grant			S. H. Kress			Walgreen			Butler Brothers			J. C. Penney		
		1936	1937	1938	1936	1937	1938	1936	1937	1938	1936	1937	1938	1936[3]	1937	1938
Alabama	1935	6	6	6	12	12	12	..	..	..	2	2	2	..	10	11
California[5]	1935	8	9	10	40	40	41	5	8	8	..	..	..	..	126	135
Colorado	1934	..	..	..	7	7	7	15	15	14	..	..	..	..	51	51
Florida	1935	5	6	6	12	12	12	7	10	10	..	..	..	..	12	13
Georgia	1937	7	7	7	15	15	15	5	5	5	1	1	1	..	17	17
Idaho	1933	..	..	..	3	3	3	6	6	6	..	..	..	..	29	31
Indiana	1933	9	9	9	..	..	..	10	12	13	3	4	3	..	52	52
Iowa	1935	4	4	4	..	..	..	9	10	10	7	7	7	..	67	67
Kentucky[6]	1934	2	2	2	3	3	3	9	9	9	5	5	5	..	21	21
Louisiana	1934	5	5	5	5	5	5	2	4	5	3	1	1	..	8	8
Maine[7]	1937	12	12	12	..	..	..	..	..	..	..	..	..	..	7	8
Maryland	1933	3	3	4	..	..	..	..	..	..	..	..	..	..	5	5
Michigan	1933	9	9	9	..	..	..	18	20	20	3	2	2	..	47	47
Minnesota	1937	3	3	4	..	..	..	20	18	18	9	8	8	..	60	60
Mississippi	1936	1	1	1	8	8	8	0	1	1	2	2	2	..	17	18
Montana	1937	..	..	..	2	2	2	..	..	..	..	..	..	..	38	38
North Carolina	1935	9	9	10	13	13	13	4	4	6	1	1	1	..	26	26
Pennsylvania[6]	1937	62	62	63	1	1	1	14	13	13	..	..	..	..	53	53
South Carolina	1930	4	4	4	7	7	7	2	3	3	2	3	3	..	12	13
South Dakota	1937	..	..	..	..	..	..	1	2	2	1	1	1	..	28	28
Tennessee	1937	4	4	5	10	10	10	5	5	5	1	1	1	..	21	21
Texas	1935	12	12	13	25	23	25	20	24	24	12	6	12	..	108	112
West Virginia	1933	5	5	6	..	..	..	1	2	2	..	..	..	..	12	12
Wisconsin	1937	5	5	7	..	..	..	33	35	32	3	9	3	..	50	51
Total in States with Taxes		175	177	187	163	161	164	186	206	206	55	53	52	..	877	888
Total in Tax-Free States		302	304	302	71	70	71	322	304	302	78	83	83	..	646	651
TOTAL STORES		477	481	489	234	231	235	508	510	508	133	136	135	1,496	1,523	1,539

[1] Sources: Annual reports; *Poor's Industrial Manual;* and Standard Statistics' *Standard Corporation Records.* Store figures for A & P are not available. [2] 1936 figures not available for American. G. C. Murphy, and M. H. Fishman; 1935 figures used. [3] Not available. [4] Arizona tax passed in 1931 was repealed in 1933. [5] Tax law repealed in 1936. [6] Tax law repealed in 1939. [7] Tax law repealed in 1937.

Year by Year, for 15 Chains in 24 States Where Taxes Have Been Levied

STATE	Date of Tax Law	Limited Price Variety Stores: McLellan 1936	McLellan 1937	McLellan 1938	G. C. Murphy 1935[2]	G. C. Murphy 1937	G. C. Murphy 1938	Neisner Brothers 1936	Neisner Brothers 1937	Neisner Brothers 1938	M. H. Fishman 1935[2]	M. H. Fishman 1937	M. H. Fishman 1938	F. W. Woolworth 1936	F. W. Woolworth 1937	F. W. Woolworth 1938
Alabama	1935	5	6	6	..	..	..	..	..	..	..	..	..	18	19	17
California[5]	1935	..	..	..	..	..	..	..	..	..	..	..	..	119	118	121
Colorado	1934	..	..	..	..	..	..	1	1	1	..	..	..	20	20	20
Florida	1935	..	..	..	..	..	..	..	..	..	..	..	..	15	17	17
Georgia	1937	15	15	15	..	..	..	..	..	..	..	..	..	16	17	18
Idaho	1933	..	..	..	..	..	..	..	..	..	..	..	..	9	9	9
Indiana	1933	7	8	8	11	11	12	3	3	3	..	..	..	40	39	40
Iowa	1935	10	10	10	..	..	..	4	4	4	..	..	..	41	41	41
Kentucky[6]	1934	..	..	..	3	3	4	..	..	..	..	..	..	19	19	19
Louisiana	1934	1	1	0	..	..	..	..	..	..	..	..	..	14	14	14
Maine[7]	1937	7	6	7	..	..	..	..	..	..	4	4	4	21	21	21
Maryland	1933	..	..	..	13	15	15	..	..	..	..	..	..	18	19	22
Michigan	1933	17	17	17	1	1	1	28	32	33	..	..	..	75	74	72
Minnesota	1937	2	2	2	..	..	..	2	2	1	..	..	..	46	46	46
Mississippi	1936	3	4	4	..	..	..	..	..	..	..	..	..	17	17	17
Montana	1937	..	..	..	..	..	..	..	..	..	..	..	..	13	13	13
North Carolina	1935	21	21	21	..	..	..	..	..	..	..	..	..	24	25	25
Pennsylvania[8]	1937	1	1	1	94	97	97	5	5	5	..	..	..	152	153	150
South Carolina	1930	9	9	9	..	..	..	..	..	..	..	..	..	8	8	8
South Dakota	1937	..	..	..	..	..	..	..	..	..	..	..	..	8	8	8
Tennessee	1937	6	5	6	..	..	..	..	..	..	..	..	..	20	20	21
Texas	1935	19	19	19	..	..	..	..	..	..	..	..	..	56	55	55
West Virginia	1933	..	..	..	26	29	29	..	..	..	..	..	..	18	18	18
Wisconsin	1937	13	14	14	..	..	..	1	1	1	..	..	..	56	55	55
Total in States with Taxes		136	138	139	148	156	158	44	48	48	4	4	4	843	845	847
Total in Tax-Free States		99	98	97	41	44	43	56	60	61	28	34	35	1,004	1,014	1,017
TOTAL STORES		235	236	236	189	200	201	100	108	109	32	38	39	1,847	1,859	1,864

Total Stores

(14 companies only—comparable data for J. C. Penney Company available for only two years.)

STATE	1936[2]	1937	1938
Alabama	48	50	48
California	1,468	1,400	1,316
Colorado	240	240	214
Florida	48	55	55
Georgia	107	110	108
Idaho	56	56	56
Indiana	474	464	457
Iowa	150	166	131
Kentucky	262	244	230
Louisiana	37	38	37
Maine	47	46	47
Maryland	363	312	276
Michigan	917	896	867
Minnesota	213	209	199
Mississippi	71	72	75
Montana	63	60	63
North Carolina	84	84	87
Pennsylvania	2,310	2,154	2,062
South Carolina	36	38	38
South Dakota	18	22	20
Tennessee	188	187	182
Texas	320	330	336
West Virginia	169	169	168
Wisconsin	356	357	344
Total in States with Taxes	8,045	7,759	7,416
Total in Tax-Free States	7,713	7,673	7,447
TOTAL STORES	15,758	15,432	14,863

II. Sales of Leading Chain-Store Organizations, 1935-1938

	Millions of Dollars 1935	1936	1937	1938
A & P	872.2	907.4	881.7	878.9
Kroger	229.9	242.0	248.4	231.2
First National	119.6	120.7	124.3	124.2
American	115.7	113.4	114.6	109.8
Safeway	294.7	346.2	381.8	368.2
National Tea	63.1	62.5	62.1	55.5
Grand Union	28.0	29.5	31.1	31.4
F. W. Woolworth	268.7	290.4	304.8	304.3
S. S. Kresge	138.3	149.5	155.2	149.2
W. T. Grant	92.0	98.3	99.1	97.5
S. H. Kress	78.5	86.8	87.9	82.2
G. C. Murphy	31.6	38.0	42.5	42.2
McCrory	35.4	40.2	41.0	40.1
H. L. Green	28.5	32.7	33.5	32.4
Neisner Brothers	18.6	20.9	22.4	20.1
McLellan	21.0	22.0	22.6	22.3
Newberry	43.4	48.4	50.3	49.0
Sears Roebuck	392.1	495.0	537.2	501.7
Montgomery Ward	293.0	361.3	414.1	414.0
J. C. Penney	225.9	258.3	275.4	258.0
Lerner	32.2	37.2	39.5	37.9
Interstate Department Stores	23.9	28.0	26.9	23.7
Lane Bryant	12.8	13.3	14.6	14.1
Schiff	11.6	13.0	13.5	12.6
Melville	30.4	35.3	38.2	36.0
Edison Brothers	16.3	19.7	23.8	24.2
Walgreen	58.1	61.8	67.9	67.7
Peoples	19.2	21.1	22.4	21.7
Western Auto Supply	19.2	25.7	37.0	36.3
29 Chain Stores Combined	3,613.9	5,918.6	4,213.8	4,086.4
Total Retail Sales	33,161.0	37,940.0	39,930.0	35,425.0
Sales of 29 Chains as a Percentage of Total Retail Sales	10.8	10.3	10.5	11.5

Source: See table I, footnote 1. Fiscal years vary; sales estimates are for the calendar year containing the greatest number of months.

perimenting with a new type of store which, as to the multitude of the goods displayed, differs little from a limited price variety store. Apparel chains have grown into general stores. Gas and oil outlets have added rubber tires and other automobile accessories.

These changes have come about for much the same reasons which have driven food chains to enlarge their store units. The compelling reason in both cases is found in the necessity of spreading an increasing amount of fixed overhead over as large a sales volume as possible. Perhaps more than chain taxes the enhanced wages and social security burdens have been responsible for this particular trend toward departmentalization. But the tax scare has played a considerable rôle. Thus the chain taxes, devised to relieve the lot of the small merchants, have added to their plight in creating new competition. Dry goods dealers see their wares in former tobacco stores. Stationers have increased competition from drug stores. Drug departments are springing up in grocery super markets and tobacco stores.

Frequently it has been contended that chains have been losing ground in recent years, and adverse chain legislation is quoted as its most serious cause. It may be doubted, however, that such generalizations convey a true picture of the latest developments. With the exception of a few food chains the majority of the larger store systems show all indications of good health and further expansion. None of three measures—size, sales, or profits—suggests a general decay of national chains.

Fewer, Bigger

Food organizations in fact have reduced their units. But as we pointed out, this was done in part to strengthen the organization, to replace smaller units by larger ones. Of non-food chains, almost every national chain system shows an increased number of store units, this even during 1938, when business was receding. A review of the progress of fifteen leading chains at the end of December, 1938, shows ten with stores in excess of those operated one year ago before. The companies analyzed were: Grant, Green, Interstate Stores, Kresge, Kress, Kroger, Lane Bryant, McCrory, McLellan, Melville, Murphy, Newberry, Penney, Sears Roebuck, and Woolworth.

From the viewpoint of sales volume, the record of large chains is not alarming. Between 1936 and 1937, sales of the large systems increased slightly more than total retail sales and in the recession of 1938 they dropped less than the total.

In terms of profit, the Cassandra prophecies of a chain decline appear likewise exaggerated or at least premature. True, food chain profits, notably those of A & P, show a downward trend, and to some other groups large investments have also brought diminishing returns. But with one exception the large corporation may not hold chain taxes responsible for the major inroads into its yield. Even if the indirect cost of modernization programs are charged to the account of chain taxes, the result is not alarming. The modernization expenses of 70 chains in 1937 were estimated at an amount which equals about 50 per cent of the profits which 108 chains yielded in the same year. The earnings of these 108 chains exceeded $200,000,000, which, if set in proportion to $5,800,000,000 of sales, represents a profit margin of about 3.5 per cent, which is probably better than average. Five large organizations (Woolworth, Sears Roebuck, Penney, Montgomery Ward, and A & P) realized the substantial profit of $118,000,000.

The net result is that neither chain taxes nor the tax scare which they produced has so far arrested the progress of the largest chain stores.

But there is evidence that the culminating point of anti-chain legislation has not yet been reached. The year 1938 saw chain taxation in the doldrums. This year three States increased rates, but no additional tax measures were enacted in States where bills had been proposed. Still there is the menace of Congressman Patman's bill providing for a national excise tax.

(Continued on page 46)

In the intricate network of costs and margins, where the chain-store tax is just one element, it is difficult to form a general conclusion about the effect on prices the consumer pays.

EWING GALLOWAY

THE BUSINESS DIARY AUGUST · 1939

DOMESTIC: *Congress adjourns after delivering severe setback to Administration measures. . . . Stocks listless in first part of month but gyrate in later weeks under the influence of the war excitement. . . .*
WORLD: *WAR casts its dark shadow of gloom over Europe. . . . Foreign exchange markets in disorder.*

1 HOUSE kills Spend-Lend Bill.

2 HOUSE "kills" again, this time Administration Housing Bill. Hatch "clean politics" bill signed by President.

4 AUTO union heads ratify General Motors' strike pact.

5 CONGRESS adjourns sine die after voting $119,000,000 additional crop loans and cutting social security tax $905,000,000. House committee appointed to investigate NLRB. Bonds fall to 22-year low in volume.

9 GOVERNMENT names War Resources Board, headed by Edward R. Stettinius, Jr.

11 PRESIDENT signs social security revision act, freezing payroll taxes at one per cent for next three years.

14 TEXAS Railroad Commission orders fifteen-day suspension of Texas oil wells. Roosevelt announces shift in Thanksgiving date.

15 TVA closes $78,000,000 deal for all Tennessee State power. WPA establishes new wage scales. Following the lead of Texas, oil wells are closed in Arkansas, Kansas, Louisiana, New Mexico, and Oklahoma to bolster falling prices.

16 GERMANY demands Polish Corridor and Danzig.

17 ICC grants Southern railroads 25 per cent differential on through Eastern shipments. Carl B. Robbins named president of Commodity Credit Corporation.

18 FORD defies NLRB order to reinstate twenty-four discharged men; alleges attempt to bar free speech. Stocks down in heavy wave of selling.

21 STOCKS continue to slump in war scare.

22 BRITAIN and France reiterate pledge to Poland.

23 REICH and Russia bind nations in ten-year non-aggression pact. United States stages biggest peacetime "war" at Plattsburg. Grain prices soar.

24 HITLER orders army ready to take Danzig. Chamberlain gets war power. Roosevelt makes peace plea.

25 FRANC collapses and pound suffers sharpest single-day fluctuations in years.

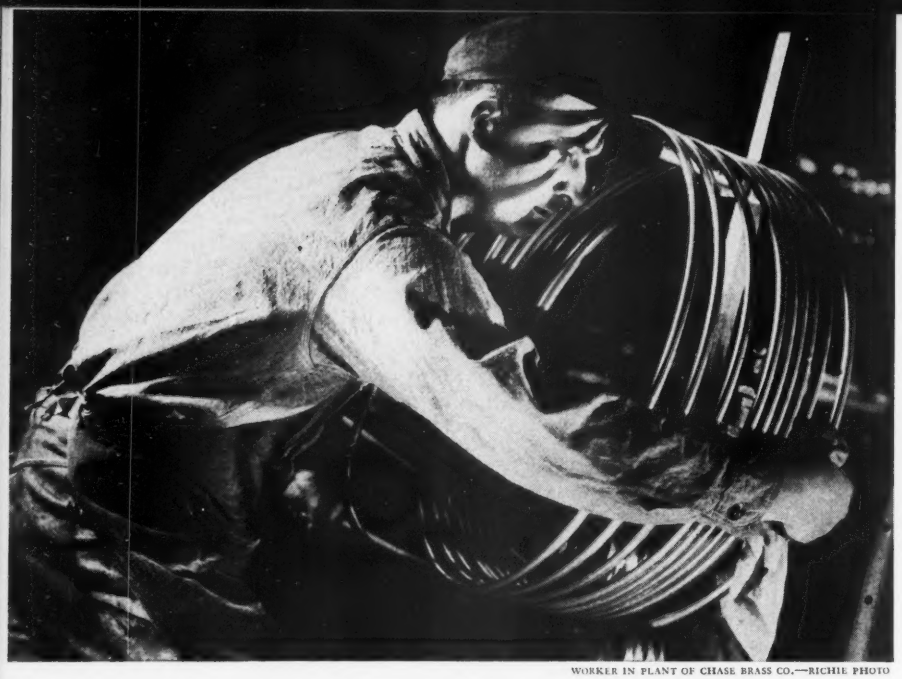
26 MOBILIZATIONS rushed abroad.

28 POUND breaks to $4.24, lowest in six years. Japanese cabinet resigns.

29 NEW Hitler note keeps negotiations open.

30 BRITAIN in blunt reply narrows issue to free negotiation with Poland or war.

31 AIR raids and fighting reported in Poland.



WORKER IN PLANT OF CHASE BRASS CO.—RICHIE PHOTO

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

The outbreak of the not completely unexpected European war was followed soon in this country by more-than-seasonal increases to 1937 levels in industrial activity and in wholesale turnover. Retail sales responded more slowly; in some cities approaching 1937 levels by October 1. Activity in commodity and financial markets increased sharply.

ONE point on which all those who are thinking about the current business situation seem to agree is that events cannot be judged on the basis of what happened in 1914. There is indeed little in basic factors that is similar. Many of those measures of activity, income, and prices which were then relatively high are now relatively low; many that were then increasing are now decreasing. Considerable differences between 1914 and 1939 in their monetary situations, their self-sufficiency, and their economic preparedness are general among important nations.

Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1936	1937	1938	1939
January	97	114	80	102
February	94	116	79	99
March	93	118	79	98
April	101	118	77	92
May	101	118	76	92
June	104	114	77	97
July	108	114	83	101
August	108	117	88	102
September	109	111	91	
October	110	102	96	
November	114	88	103	
December	121	84	104	

In this country, in early September, the financial field was the scene of the more immediately obvious inconsistencies with 1914 precedents. Instead of the hurried liquidation of stocks which caused the New York Stock Exchange to close at the beginning of the World War, a wave of heavy buying set in, and price advances of many industrial stocks were wide. Speculative activities were also evident in the increases in prices of war commodities. The action of the English pound, when it dipped to $3.76, the lowest point in more than six years, offered another sharp contrast to 1914, when it rose to $7 for a brief time.

Part of the explanation of the way in which business reacted lies in the fact that the business community was not unprepared for the catastrophe.

Factory Payrolls

U.S.B.L.S. Index (Revised)
1923-1925 = 100

	1936	1937	1938	1939
January	76.7	94.4	75.0	83.4
February	76.6	99.7	76.9	85.4
March	80.3	105.5	77.1	86.9
April	82.3	109.3	74.6	84.9
May	83.9	109.7	72.9	84.4
June	84.1	107.0	70.8	85.9
July	83.4	104.6	70.6	83.8
August	87.1	108.2	76.9	89.9*
September	86.9	104.4	81.8	
October	92.5	104.5	83.8	
November	94.0	92.9	84.1	
December	98.8	84.2	86.5	

* Preliminary.

Domestic recovery forces already in operation continued to push industry forward. Inventories were low in many lines. Railroads were in need of equipment. In the utilities there was a backlog of expansion needs. Labor relations were somewhat more calm than during some recent periods, and there was evidence of co-operation between government and business. Huge amounts of gold are held in the Treasury and unusually large excess reserves in the Federal Reserve member banks.

Spectacular price behavior of single commodities averaged out to a sharp increase of 6 per cent from August 26 to September 23 for "all commodities" (USBLS, weekly, wholesale) with the upward movement slackening toward the end of this period. The figures, not charted, for the last two weeks of September were 79.3 and 79.5.

Industrial output, after holding at about the July levels during August, expanded rapidly in the first half of September. The steel industry, with a capacity of 32,000,000 tons annually in excess of its 1914 level, experienced a heavy rush of domestic orders, while export business expanded somewhat, particularly in pig iron and semi-finished steel. Domestic demand on the part of the railroads for track material and equipment was considered

especially heartening. Foreign demand for tin plate quickened. The steel rate, by the third week in September, was close to 80 per cent of capacity, compared with the rate of 62 per cent for the month of August.

The automobile industry proved a steadying influence to business as it went ahead with plans to expand output, in line with seasonal expectations for the 1940-model season. Accessory and parts plants by the third week of September were operating at full volume. Production of new cars advanced to 41,245 units in that week, as against 16,100 in the same week a year ago. The effect of a sharp curtailment of exports to Europe (in England, for example, the embargo on luxury imports applies to passenger cars) was discounted by some producers in view of an expanding South American market.

As manufacturing activity forged ahead, machine tool builders, anticipating an increased demand for machine tools, cancelled their annual show in order to permit uninterrupted production. The index of machine tool

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1936	1937	1938	1939
January	81	93	90	88
February	83	95	88	87
March	84	93	86	88
April	84	93	83	88
May	87	93	78	85
June	87	93	82	86
July	91	94	83	86
August	86	92	83	89
September	88	94	86	
October	90	93	84	
November	94	91	89	
December	92	89	89	

orders, according to the National Machine Tool Builders' Association, dropped 10 per cent from July to August, principally because of a slackening of foreign orders, but remained above 200 for the fourth consecutive month.

An increase in railroad traffic reflected heavier shipments of manufactured products. Freight-car loadings in August expanded somewhat more than seasonally, chiefly because of continued increases in shipments of coal and miscellaneous freight. In the week ended September 2 carloadings rose to 721,748, only about 5,000 less than last year's October peak. In the following week, on a seasonally adjusted basis, another sharp gain was recorded. For the year to date, loadings have averaged about 9 per cent above the corresponding period of 1938. Operating revenues of Class I railroads in August showed an 8.6 per cent gain over the same month last year.

A notable development of the last few months has been the way in which durable goods activity has increased, stealing the spotlight from the previously more prominent consumer goods industries. Despite lack of publicity, however, textile operations since July have proceeded about in line with seasonal expectations. Cotton mill production, in the week ended September

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	June 1939	July 1939	Aug. 1939	Sept. 1939
I	75.7	75.5	75.1	75.3
II	75.6	75.6	74.8	78.4
III	75.4	75.5	74.6	
IV	75.5	75.2	74.8	
V		74.8		

2, was unchanged, as against a normal seasonal decline, but by the middle of September a more-than-seasonal drop had been shown. Silk deliveries to American mills in August amounted to 33,095 bales, compared with 26,134 bales in July and 38,504 bales a year ago. Rayon yarn shipments to domestic consumers, according to the *Rayon Organon,* were 31,300,000 pounds, against 32,900,000 pounds in July. At meat-packing establishments activity declined less than seasonally, and shoe output made the usual advance during August.

Employment conditions improved along with the increased industrial activity. Steel mills and railroad yards were scenes of considerable back-to-work movements. Clothing and millinery industries also reported substantial increases in labor forces, while textile, chemical, stone, and glass concerns expanded.

The increased purchasing power induced by better industrial conditions has found expression in increased retail buying. Department store sales in August rose more than seasonally, the FRB adjusted index rising to 89 from 86 in July. In general, Fall purchasing on the part of consumers has been little affected by the European hostilities. The initial spurt in grocery buying caused by the "housewives' panic" was

Industrial Stock Prices

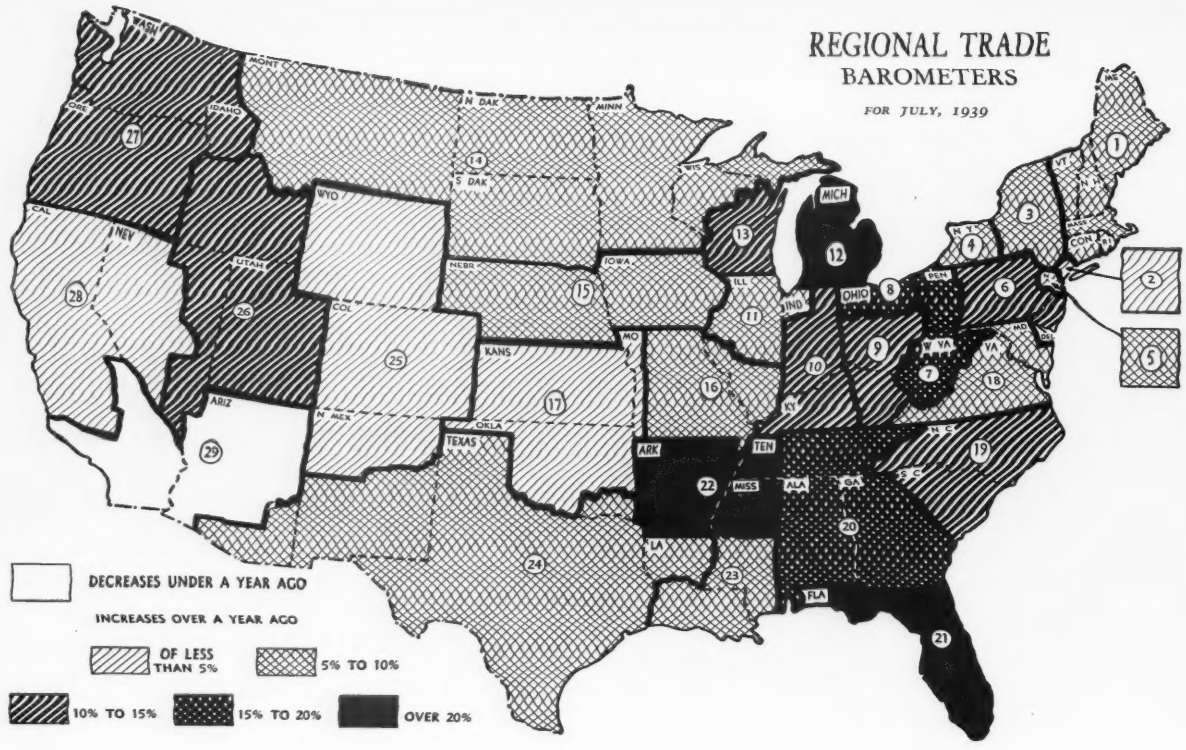
Dow-Jones Index (Weekly Average)

Week	June 1939	July 1939	Aug. 1939	Sept. 1939
I	137.21	132.63	143.16	135.69
II	138.81	133.13	139.09	149.09
III	136.54	136.47	138.15	154.17
IV	137.21	143.07	133.53	
V		143.95		

rather quickly allayed when those who were hurriedly laying in supplies were assured by the Department of Agriculture that no scarcity of foodstuffs existed. It was pointed out that the nation's cribs and warehouses were already filled with larger-than-normal surpluses from previous years, and that bountiful harvests of most grain crops, vegetables, fruits, feed, and fiber crops were in prospect.

Wholesale buying was active during August and early September, partly due to a normal seasonal expansion, partly due to generally low inventories, and partly, after September 3, because of a desire to place forward orders before prices went up. Sizable price gains did occur in such staple commodities as wheat, corn, rye, cocoa, sugar, lard, tin, and rubber, and increases were also noted in copper quotations and in prices of other industrial materials. The BLS index advanced 4.1 per cent in the week ended September 9, the largest increase in any one week since the inauguration of the index in 1932.

In financial markets, stock prices climbed while prices of high-grade bonds slumped. Issues of European governments fell sharply. The break in quotations for the pound sterling and the franc caused foreign exchange markets to be badly disrupted.



TRADE INDEX RECOVERS

The United States Trade Barometer rose to 84.4 (preliminary) in August from 81.9 in July. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by 157 district offices of DUN & BRADSTREET, INC.

THE usual September stimulating effects on retail trade of cooler weather and back-to-school advertising this year had added to them the panicky domestic buying brought on by the European crisis. A week of frantic grocery buying, due to fears of commodity shortages and rising prices, plus more than seasonal purchases of clothing, household goods, and furniture, rapidly advanced trade indexes to the highest level this year.

Consumer demand, while concentrated on staple commodities, reflected an upswing in luxury buying. Higher priced goods, such as furs, electrical equipment, farm implements, and automobiles showed gains from last year. Wholesale markets in some areas had the most active week in many years. The declaration of war, coinciding with the opening of the Fall season, advanced food, tire, copper boiler, tin, and wool orders as retailers sought to cover orders for several months ahead. A back-to-normal movement after the first scare eased wholesale market activity.

September buying had its roots in increased August activity. The quickened pace of the big industries—steel, automobiles, machinery, and machine tool—accelerated by the war, followed a stiff resistance to the usual seasonal let-downs during the Summer. August vacations, salary increases, and re-employment stimulated tourist and vacation trade as well as clothing, furniture, and sporting goods sales.

Wholesale trade maintained advances made at the end of July and received an additional stimulus from annual sales promotion drives and State expositions. Improved orders for furniture and lumber goods, due to increased residential building, and retailers' buying of Fall clothing held wholesale activity considerably above last year despite an upgrade during the comparable period of 1938. Improved trade conditions brought the preliminary United

States Trade Barometer to 84.4, a 3 per cent increase from July, close to the level of February of this year.

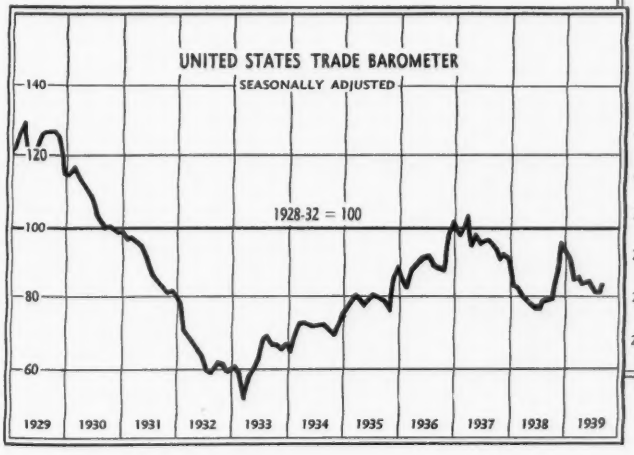
In July the United States Trade Barometer, reflecting a more-than-seasonal lull in buying, turned down from the June level of 83.4 to 81.9. This was the lowest point of this year, and approximated the level of December and earlier months in 1938. Gains which occurred in eighteen areas were not large. The largest increases from June to July were in the Middle Western States, where Iowa and Nebraska led with a 17 per cent advance. Other sizable improvements were: Indianapolis and Louisville, 11 per cent; St. Louis, 10 per cent; Minneapolis and St. Paul, 7 per cent; Pittsburgh, 6 per cent. Decreases in Chicago and Memphis of 8 and 7 per cent respectively were the most substantial indications of retrenchment.

All regions except Los Angeles showed substantial improvement over last year. The decline in that area, while less than 1 per cent, contrasted sharply with the record of the majority of the cities. Memphis and Detroit, each reporting an index 25 per cent ahead of last year, led the twenty-nine areas.

THE MAP AND CHART compare the July, 1939, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1937, on pages 34-37. They are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before the regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for July based on samples of department and retail stores reporting to the Federal Reserve banks; for August and for the first half of September based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.



REGIONAL TRADE BAROMETER

	REGION	July 1939 Regional Index	July 1939 Compared with July 1938 (%)	Retail 1935 Sales %
	U. S.	81.9	+ 9.1	100.0
1.	NEW ENGLAND	73.3	+ 9.9	7.8
2.	NEW YORK CITY	69.0	+ 4.7	10.3
3.	ALBANY AND SYRACUSE	85.8	+ 9.4	2.6
4.	BUFFALO AND ROCHESTER	71.4	+ 6.6	1.9
5.	NORTHERN NEW JERSEY	70.9	+ 5.3	2.9
6.	PHILADELPHIA	76.6	+12.5	6.2
7.	PITTSBURGH	77.0	+15.1	3.7
8.	CLEVELAND	84.8	+17.9	2.9
9.	CINCINNATI AND COLUMBUS	90.9	+11.8	3.1
10.	INDIANAPOLIS AND LOUISVILLE	100.0	+13.1	2.6
11.	CHICAGO	81.7	+ 9.8	6.4
12.	DETROIT	82.7	+24.5	4.0
13.	MILWAUKEE	84.5	+10.5	2.2
14.	MINNEAPOLIS AND ST. PAUL	91.9	+ 6.9	4.5
15.	IOWA AND NEBRASKA	91.0	+ 7.6	3.0
16.	ST. LOUIS	90.1	+ 9.7	2.5
17.	KANSAS CITY	86.9	+ 4.2	3.6
18.	MARYLAND AND VIRGINIA	98.4	+ 8.4	3.8
19.	NORTH AND SOUTH CAROLINA	103.7	+14.0	2.1
20.	ATLANTA AND BIRMINGHAM	111.0	+17.7	3.5
21.	FLORIDA	115.7	+21.3	1.3
22.	MEMPHIS	98.0	+24.5	1.5
23.	NEW ORLEANS	98.6	+ 6.9	1.0
24.	TEXAS	109.0	+ 5.8	4.5
25.	DENVER	99.0	+ 2.3	1.3
26.	SALT LAKE CITY	91.6	+12.9	.8
27.	PORTLAND AND SEATTLE	82.0	+10.1	2.7
28.	SAN FRANCISCO	88.2	+ 2.3	3.4
29.	LOS ANGELES	89.0	— 0.8	3.9

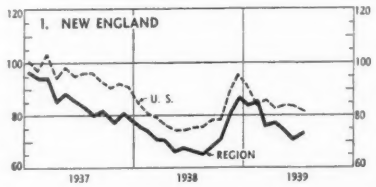
THE REGIONAL TRADE BAROMETERS

These indexes of consumer buying are corrected for seasonal variation; the monthly average for the five years 1928-1932 equals 100 (see preceding page). Charts showing the curves since January, 1928, were published in the September, 1939, number and will appear semi-annually. Additional information about the indexes and about their especial usefulness in regional sales quota work, back figures, and data about regional boundaries is available for users of the indexes.

1. New England

JULY, 73.3 JUNE, 71.0 JULY 1938, 66.7

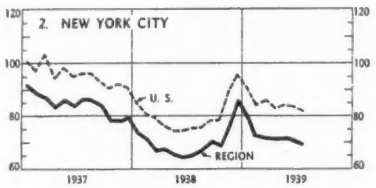
JULY—Percentage department store sales increases over previous July: Maine 1, Vermont 2, New Hampshire 0, Providence 6, New Haven 3. AUGUST—Percentage retail trade increases over previous August: Bangor 0, Portland 3, Boston–New Bedford 7, Springfield–New Haven 10, Worcester 2, Providence 6, Hartford 5. Connecticut tobacco harvest satisfactory but other crop yields low due to Summer drought. Payrolls and production generally improved over last year. Aircraft and small tool manufacturing active. Maine sardine packing industry advanced considerably over last year's level. Collections generally steady. SEPTEMBER—Boston retail trade slightly above last September. Orders for cotton and knitted yarns improved.



2. New York City

JULY, 69.0 JUNE, 70.8 JULY 1938, 65.9

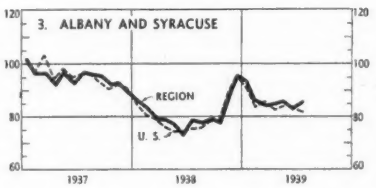
JULY—Percentage department store sales increases over previous July: New York and Brooklyn 1, Bridgeport 5, Westchester–Stamford 6. AUGUST—Percentage retail trade changes from previous August: Bridgeport +12, New York City department store sales —4, parcel deliveries +5, hotel sales +30. Bank clearings up 16% in New York City and 2% in Westchester County from year ago. Gains in employment in women's coats, dresses, millinery and men's clothing industries. SEPTEMBER—Price of cotton grey goods, woolens, crude rubber, and sugar advanced. Converters of dress goods report sizable increases in sales. Bank clearings in the Metropolitan area 21% above last year. Retail trade even with year ago.



3. Albany and Syracuse

JULY, 85.8 JUNE, 83.0 JULY 1938, 78.4

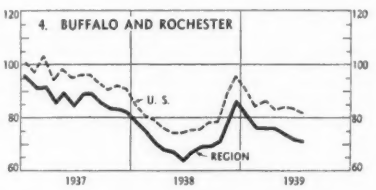
JULY—Percentage department store sales increases over previous July: Syracuse 11, Northern State 4, Central State 9. AUGUST—Percentage retail trade increases: Albany–Binghamton–Utica 5, Syracuse 4. Albany wholesale trade 5% above last year; Syracuse reports substantial gains. Continued dry weather has seriously affected yield of hay and other crops. Apple crop large but quality not up to standard. Payrolls and production generally improved compared with last year. Metal and textile manufacturing improved. Binghamton shoe industry ahead of last year but unchanged in last three months. Collections steady or better than last year. SEPTEMBER—Sales of clothing and foodstuffs improved. Shoe industry unchanged.



4. Buffalo and Rochester

JULY, 71.4 JUNE, 72.0 JULY 1938, 67.0

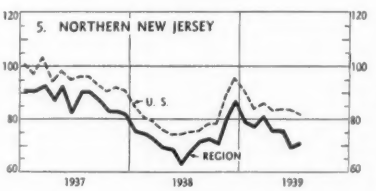
JULY—Percentage department store sales increases over previous July: Buffalo 8, Rochester 4, Niagara Falls 1. AUGUST—Percentage retail trade increases over previous August: Buffalo 5, Jamestown 20, Elmira 7, Rochester 4. Buffalo wholesale trade up 5% from last year's level. Farm yield somewhat lower than usual because of drought. Payrolls and production improved from previous year. Production of steel and durable goods advanced; consumers' lines also improved. Outdoor employment at peak. Collections generally improved. SEPTEMBER—Buffalo retail trade 10% ahead of last year due to large sales of school merchandise and apparel. Steel production at 63% capacity, peak for this year. Increased activity in aircraft industry.



5. Northern New Jersey

JULY, 70.9 JUNE, 69.0 JULY 1938, 67.3

JULY—Northern New Jersey department store sales 3% above previous July. AUGUST—Newark retail trade advanced 6% from year ago. Wholesale trade improved 5% from last year. Compared with last month, retail and wholesale trade increased 7 and 3% respectively, recovering from seasonal decline. Bank clearings in Northern New Jersey down 3% from last August. Jersey peach and watermelon crops good. Production and sales advanced from last year, employment and payrolls even with year ago. Activity in naval and aviation equipment concerns above normal. SEPTEMBER—Back-to-school and Fall retail orders above last year. Labor Day week-end resort activity improved over last year, substantially ahead of any week-end this year. Labor disputes in Paterson plain goods mills.

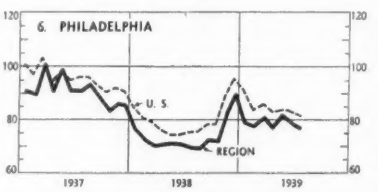


6. Philadelphia

JULY, 76.6 JUNE, 79.0 JULY 1938, 68.1*

JULY—Percentage department store sales changes from previous July: Trenton +3, Allentown +1, Philadelphia +4, Reading +2, Scranton–Wilmington —4, Wilkes-Barre —9, Harrisburg —5, Lancaster —6, York —1. AUGUST—Percentage retail trade changes from previous August: Trenton–Philadelphia +4, Allentown–Wilmington +5, Reading +8, Scranton–Harrisburg +2, Williamsport +9, York–Wilmington +5, Lancaster +10, Wilkes-Barre —2. Philadelphia wholesale trade increased 5% from previous August. Payrolls and production steady to improved compared with last year. Carpet and clothing manufacture advanced, silk hosiery production dull. Collections steady. SEPTEMBER—Philadelphia retail trade 5% ahead of last year.

* Revised.

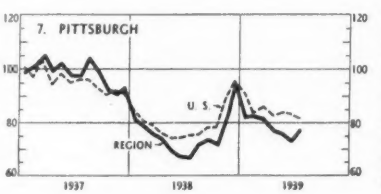


7. Pittsburgh

JULY, 77.0 JUNE, 72.9 JULY 1938, 66.9

JULY—Percentage department store changes from previous July: Erie +9, Pittsburgh +1, Wheeling —2. AUGUST—Percentage retail trade increases over previous August: Erie–Huntington 10, Pittsburgh 7, Youngstown–Charleston 5. Pittsburgh wholesale trade increased 9% from last year's level.

(Continued directly opposite)

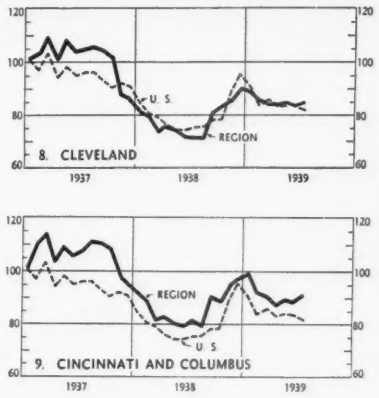


Garden truck prices low. Payrolls and production generally improved over last year. Steel production at 54% capacity. Glass and chemical production steady. Coal mining spotty. Collections steady to improved. SEPTEMBER—Pittsburgh retail trade 5 to 7% ahead of last September. Department stores more active than in any previous month this year. Residential building substantially advanced from last year. Steel at 60% capacity.

8. Cleveland

JULY, 84.8 JUNE, 83.4 JULY 1938, 71.9

JULY—Percentage department store sales increases over previous July: Cleveland 6, Akron 18, Toledo 8. AUGUST—Percentage retail trade increases over previous August: Cleveland 5, Akron 14, Lima–Toledo 10, Canton 15. Wholesale trade increases: Cleveland 15, Akron 9, Toledo 10. Payrolls and production steady to improved over last year's level. Iron and steel industry operating at 80% capacity. Men's clothing, cement, machine tool and chemical industries materially ahead of last year. Akron rubber production steady. Collections steady to improved over last year. SEPTEMBER—Retail trade increased 5% from last year's level. Improvement in domestic steel orders. Employment in Cleveland better than any other month since December, 1937.



9. Cincinnati and Columbus

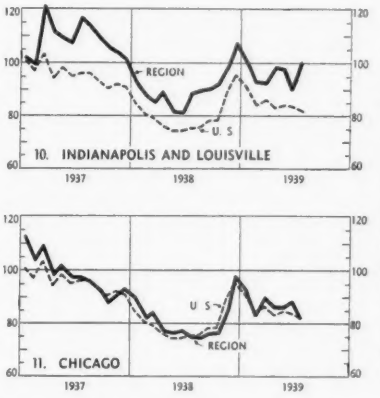
JULY, 90.9 JUNE, 88.2 JULY 1938, 81.3

JULY—Percentage department store sales increases over previous July: Cincinnati 7, Columbus 5. AUGUST—Percentage retail trade increases over previous August: Springfield 8, Cincinnati–Dayton 5, Zanesville 6, Lexington 14, Columbus 9. Cincinnati and Columbus wholesale trade improved 5 and 10% respectively. Ohio oats crop 8% smaller than last year, wheat crop reduced 21%. Corn yield slightly above last year, tobacco 20% improved. Dairy and poultry production steady, prices better than in previous month. Collections vary compared with last year, steady with last month. SEPTEMBER—Cincinnati department store sales 11 to 14% better than last year, although considerably declined from last week.

10. Indianapolis and Louisville

JULY, 100.0 JUNE, 90.0 JULY 1938, 88.4

JULY—Percentage department store sales increases over previous July: Louisville 6, Indianapolis 7, Fort Wayne 2. AUGUST—Percentage retail trade increases over previous August: Louisville 3, Indianapolis–Evansville 10, Terre Haute 5, Fort Wayne 0. Wholesale trade increases: Louisville 4, Indianapolis 2. Farm yield good, prices slightly lower than in same period of 1938. Payrolls and production steady to improved compared with last year. Manufacturers of metal products report volume improved 35 to 40%. Farm implement production steady. Collections vary. SEPTEMBER—Indianapolis retail sales 5% ahead of last year. Indiana late crops and pastures burned by unseasonable heat.



11. Chicago

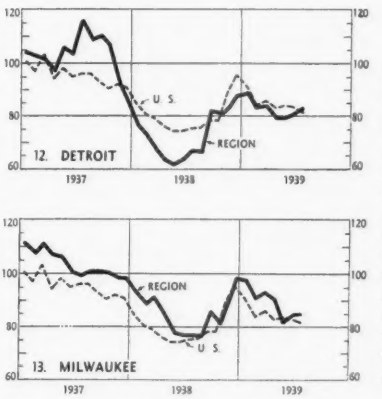
JULY, 81.7 JUNE, 88.3 JULY 1938, 74.4

JULY—Percentage department store sales changes from previous July: Chicago +2, Peoria —2. AUGUST—Percentage retail trade increases over previous August: Chicago–Peoria 5, Rockford 0, South Bend 20. Apparel sales improved although sale of higher priced furs slow. Chicago wholesale trade increased 8%. Corn yield better than last year. Hog prices slightly advanced although grain prices low. Payrolls and production generally improved over last year. Rockford machine tool industry active, furniture manufacturing dull. Collections vary. SEPTEMBER—Retail trade off 5% from last year. Steel production at 49% capacity, below level of last month. Fall in grain and livestock prices from war-scare peak.

12. Detroit

JULY, 82.7 JUNE, 81.0 JULY 1938, 66.4

JULY—Detroit department store sales advanced 12% over previous July level. AUGUST—Percentage retail trade increases over previous August: Detroit 8, Grand Rapids 12, Saginaw 10. Percentage wholesale trade increases: Detroit 15, Grand Rapids 10. Apple crop large, prices better than last year. Payrolls and production improved over last month and last year. Model change-over in automobile industry. Sales of furniture improved. Collections steady to improved over last year. SEPTEMBER—Detroit retail trade improved 12 to 15% over last year in back-to-school buying. Automobile union contracts signed. Automobile production considerably ahead of last year despite parts shortage which slackened activity in several companies.



13. Milwaukee

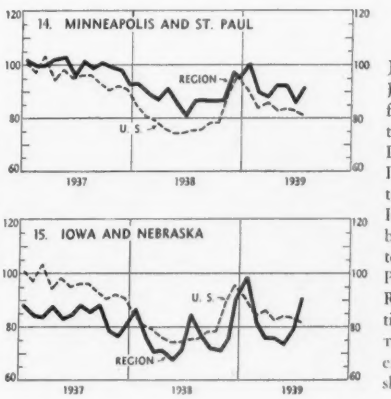
JULY, 84.5 JUNE, 83.8 JULY 1938, 76.5

JULY—Milwaukee department store sales fractionally lower than same month last year. AUGUST—Milwaukee and Madison retail trade slightly improved over last year; Green Bay retail trade 6% ahead. Milwaukee wholesale trade even with last year. Corn and grain production cut by drought; cabbage and sugar beets near harvest; crops in good condition. Payrolls and production steady to improved over last month and last year. Milwaukee metal industry improved. Green Bay paper mills in operation full or overtime. Collections generally steady to better than last year. SEPTEMBER—Milwaukee retail sales fractionally lower than same week last year; employment improved in Wisconsin due to settlement of automobile strikes.

14. Minneapolis and St. Paul

JULY, 91.9 JUNE, 86.1 JULY 1938, 86.0

JULY—Minneapolis–St. Paul–Duluth–Superior department store sales increased 2% over previous July level. AUGUST—Percentage retail trade changes: Duluth —8, Minneapolis +2, St. Paul +6, Billings +8, La Crosse +5, Sioux Falls +8, Butte —5, Great Falls +10, Fargo —6. Wholesale trade changes: Duluth —8, Great Falls +8, Minneapolis +3. Fruit crop plentiful although prices low. Some corn hurt by drought although crop in State as a whole best in years. Late rains helpful to Wisconsin potatoes. Payrolls and production steady compared to last year. Sales of flour, linseed oil and agricultural commodities holding up well. Collections steady. SEPTEMBER—Rush of iron ore mining and shipping in Great Lakes.



15. Iowa and Nebraska

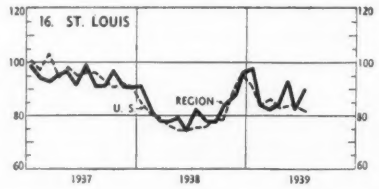
JULY, 91.0 JUNE, 77.9 JULY 1938, 84.6

JULY—Omaha department store sales decreased 4% from previous July level. AUGUST—Percentage retail trade increases: Burlington–Cedar Rapids–Dubuque–Waterloo–Des Moines 5, Omaha 6, Davenport 10, Lincoln 0. Percentage wholesale trade increases: Sioux City–Des Moines–Omaha 5. Iowa and eastern Nebraska corn good, western Nebraska corn poor compared with other years. Beans, tomatoes, and other canning vegetables plentiful. Payrolls and production improved over last year. Residential building improved, industrial construction slow. Collections steady with last year. SEPTEMBER—Nebraska sugar refineries and beet growers report little immediate profit since their sugar shipped before shortage.

16. St. Louis

JULY, 90.1 JUNE, 82.3 JULY 1938, 82.1

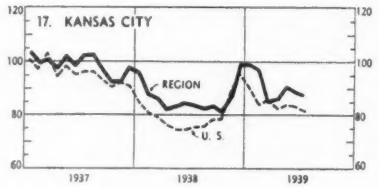
JULY—Percentage department store sales increases from previous July: St. Louis 5, Springfield (Mo.) 9, Quincy 6. AUGUST—Percentage retail trade changes from previous August: St. Louis +10, Springfield (Mo.) +6, Springfield (Ill.) —10, Quincy +5. St. Louis wholesale trade advanced 10% from last year. Soy beans and small grain crops abundant; corn in good condition; farm prices low. Payrolls and production vary compared to last year. St. Louis steel industry at 57% capacity, compared with 45% last month. Building permits in St. Louis 16% above last August. SEPTEMBER—St. Louis retail trade improved 15% from last year. Rise in hide prices. St. Louis zinc quotations at highest level this year. Shoe manufacturing spotty.



17. Kansas City

JULY, 86.9 JUNE, 87.7 JULY 1938, 83.4

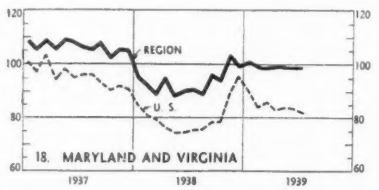
JULY—Percentage department store sales increases from previous July: Kansas City 1, Wichita 5, Oklahoma City 13, Tulsa 0. August—Percentage retail trade changes from previous August: Kansas City–Wichita 0, Topeka +5, Oklahoma City +3, Tulsa —5, St. Joseph —6. Percentage wholesale trade increases: Kansas City 7, Oklahoma City 4. Corn poor although better than expected. Payrolls and production steady to down compared with last year. Two-week curtailment of oil production. Decline in railroad carloadings. Wichita aircraft manufacturing industry at peak activity. Collections poorer than last year. SEPTEMBER—Kansas City retail trade dropped 10%. Kansas cattle and grasslands in better condition than in past years.



18. Maryland and Virginia

JULY, 98.4 JUNE, 98.9 JULY 1938, 90.8*

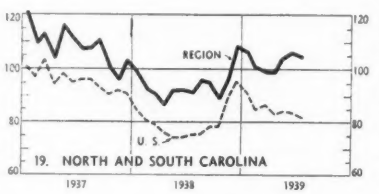
JULY—Percentage department store sales changes from previous July: Baltimore–Richmond 0, Washington +1. AUGUST—Percentage retail trade changes from previous August: Baltimore–Norfolk +5, Washington +8, Richmond +1, Lynchburg +14, Roanoke +8, Bristol slightly decreased. Percentage wholesale trade increases: Baltimore +6, Norfolk +5, Richmond +6. Tobacco crop below last year's but ahead of ten-year average. Apple and peach yield excellent. Production of cigarettes, cigars, cotton, and rayon goods ahead of year ago. Richmond construction 20 to 30% improved over last year. Lynchburg shoe company reports sales larger than in any other month in past five years. SEPTEMBER—Baltimore retail trade nominally improved over last year. * Revised.



19. North and South Carolina

JULY, 103.7 JUNE, 106.2 JULY 1938, 91.0

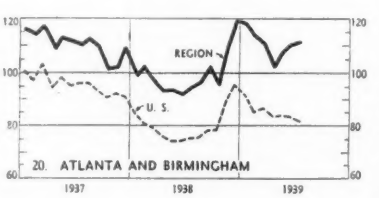
JULY—North Carolina department store sales advanced 2% over 1938; South Carolina sales up 7%. AUGUST—Percentage retail trade increases over previous year: Asheville 10, Winston-Salem 3, Charlotte–Raleigh–Charleston 5, Wilmington 0, Columbia 18, Greenville 19. Percentage wholesale trade increases: Wilmington 3, Winston-Salem 10, Charleston 4. Cotton crop 20% better than last year, corn 25% better, tobacco likewise ahead. Payrolls and production steady to improved over last year. Textile strike in Columbia. Furniture orders improved. Collections vary. SEPTEMBER—Tobacco sales suspended because of curtailment of foreign purchases. Price of tobacco three to ten cents under last year. Textile strike continues in Columbia.



20. Atlanta and Birmingham

JULY, 111.0 JUNE, 110.3 JULY 1938, 94.3

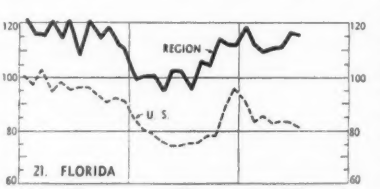
JULY—Percentage department store sales increases over previous July: Atlanta 7, Birmingham–Montgomery 12, Nashville 10. AUGUST—Percentage retail trade changes over previous August: Atlanta +12, Augusta +5, Columbus 0, Macon–Nashville +10, Savannah–Birmingham +15, Chattanooga +17, Montgomery —4. Percentage wholesale trade increases: Atlanta 18, Birmingham 10, Nashville 5. Cotton crop damaged by excessive rains. Payrolls and production steady to improved compared with last year. Birmingham steel industry at 70% capacity. Flood conditions in certain Alabama areas due to recent rains. Collections steady or better than last year. SEPTEMBER—Atlanta retail trade 22% ahead of year ago.



21. Florida

JULY, 115.7 JUNE, 116.9 JULY 1938, 95.4

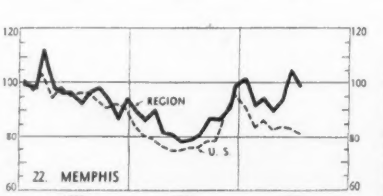
JULY—Florida department store sales advanced 18% from level of last July. AUGUST—Percentage retail trade increases: Jacksonville 3, Miami 7, Tampa 10. Jacksonville and Tampa wholesale trade increased 5 and 15% respectively. Improvement in sales of building materials and electrical supplies. Jacksonville cigar production spotty; naval stores steady in price and sales activity. Lumber industry improved. Shipping slow since most fruit crops out of season. Citrus crop in good condition with weather conditions favorable. Jacksonville bank clearings improved 14% over year ago. Collections steady compared with last month and last year. SEPTEMBER—Department store sales activity improved considerably over last year.



22. Memphis

JULY, 98.0 JUNE, 105.2 JULY 1938, 78.7

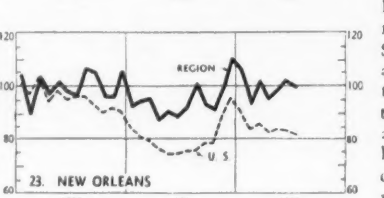
JULY—Percentage department store sales changes from previous July: Memphis +8, Fort Smith —2, Little Rock +11. AUGUST—Percentage retail trade increases from previous August: Memphis 10, Fort Smith 2, Little Rock 5. Memphis wholesale trade advanced 5% from last year's level. Cotton under last year's crop; yield of rice, apples and pears lower than average; sweet potato crop improved over last year. Little Rock lumber and furniture production considerably advanced over last year. Memphis lumber trade quiet. Payrolls and production steady to improved over last year. Collections generally steady. SEPTEMBER—Memphis department store sales 23% ahead of last year. New Orleans and Memphis spot cotton prices improved.



23. New Orleans

JULY, 98.6 JUNE, 101.5 JULY 1938, 92.2

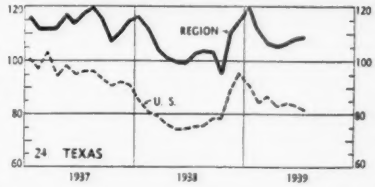
JULY—New Orleans department store sales advanced 8% over last year's level. AUGUST—Percentage retail trade changes from previous August: New Orleans +10, Jackson —4, Meridian +5. New Orleans wholesale trade slightly advanced from last year's level. Rice and cotton, major crops, harvested during August; yield varies, some as much as 40% below normal because of drought. Sugar cane yield per acre even with 1938, 40% above ten-year average. Pecan crop slightly smaller than normal yield. Payrolls and production steady to below last year. New Orleans bank clearings 2% ahead of last August. Collections steady with last month and last year. SEPTEMBER—Retail sales continue to improve. Cotton activity ahead of normal level.



24. Texas

JULY, 109.0 JUNE, 107.8 JULY 1938, 103.0

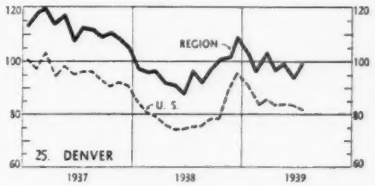
JULY—Percentage department store sales changes over previous July: Dallas 0, Fort Worth —2, Houston —1, San Antonio 0. AUGUST—Percentage retail trade changes from previous August: Dallas–Amarillo–Beaumont–Lubbock +5, Fort Worth +3, Wichita Falls —10, Galveston —5, San Antonio +1, El Paso–Waco 0, Houston +2, Shreveport —5. Percentage wholesale trade changes: Dallas–Houston +5, Fort Worth +8, Shreveport —10. Cotton and feed crops poor; some cotton in good condition due to recent rains. Payrolls and production slowed down for ten days. Steel production in Fort Worth off 10% from 1938 level. Dallas bank clearings improved 14% over last year. SEPTEMBER—Dallas retail trade spotty.



25. Denver

JULY, 99.0 JUNE, 94.0 JULY 1938, 96.8

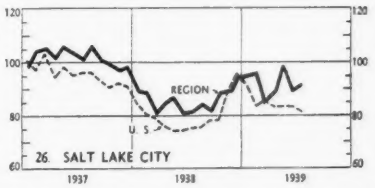
JULY—Denver department store sales unchanged from previous July level. AUGUST—Denver retail sales increased 6% from previous August; Albuquerque trade advanced 5%. Men's and women's ready-to-wear goods, furs, hardware, builders' supplies, and furniture sales show largest gains. Denver wholesale trade 4% ahead of last year's level, although weather is unfavorable for Fall merchandising. Good bean crops; other farm products in good condition in irrigated lands; rains needed in range lands. Payrolls and production steady to improved over last year's level. Collections steady to better. SEPTEMBER—Denver department store sales fractionally lower than last year at this time. Sugar refiners report large sales and stocks of sugar.



26. Salt Lake City

JULY, 91.6 JUNE, 88.8 JULY 1938, 81.1

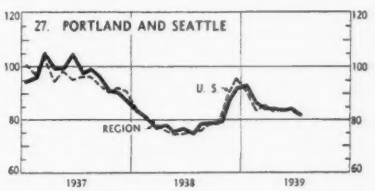
JULY—Salt Lake City department store sales increased 3% from previous July level. AUGUST—Salt Lake City retail trade advanced 10% from level of last July. Wholesale trade likewise ahead 10%. Large orders for electrical supplies and public utility equipment. Farm prices steady, some improved over last year. General crop situation satisfactory. Fruits in good condition. Payrolls and production steady with last month, advanced from last year. Collections steady compared with last month, improved from level of year ago. SEPTEMBER—Retail trade improved 15% over last week and last year due to large purchases of foodstuffs. Automobile and tire sales above last year's level. Sugar refiners report large carry-over.



27. Portland and Seattle

JULY, 82.0 JUNE, 85.0 JULY 1938, 74.5

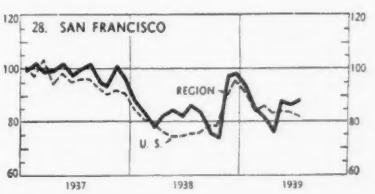
JULY—Percentage department store sales increases over previous July: Seattle 13, Tacoma–Portland 5, Spokane 4. AUGUST—Percentage retail trade increases over previous August: Seattle 10, Tacoma 8, Spokane 3, Portland 6. Seattle wholesale trade off 6% from last year, but Portland's wholesale sales gained 2%. Early blackberry harvest in Puyallup Valley spurred by rains. Payrolls and production generally improved over last year. Sale of dairy products above normal but prices low. Shipping tonnage decreased from last year and last month. Cement production and lumber orders improved from last year's level. Collections steady. SEPTEMBER—Portland and Seattle department store sales considerably above last year.



28. San Francisco

JULY, 88.2 JUNE, 86.4 JULY 1938, 86.2

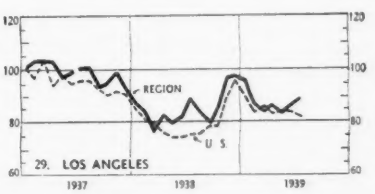
JULY—San Francisco department store sales increased 5% over previous July. Oakland sales advanced 9%. AUGUST—Percentage retail trade changes: San Francisco +6, Oakland 0, Sacramento —5, Fresno +10. Fruit picking active; heavy shipments of grapes, plums, and melons. Peach canning in operation. Weather conditions favorable for ripening fruit. Flax and barley show large gains in yield from last year. Payrolls and production unchanged or improved from last year's level. Shipbuilding industry improved. Labor difficulties in the meat-packing industry. Tourist trade above normal but below expectations. Collections steady. SEPTEMBER—San Francisco retail trade 6% ahead of last year.



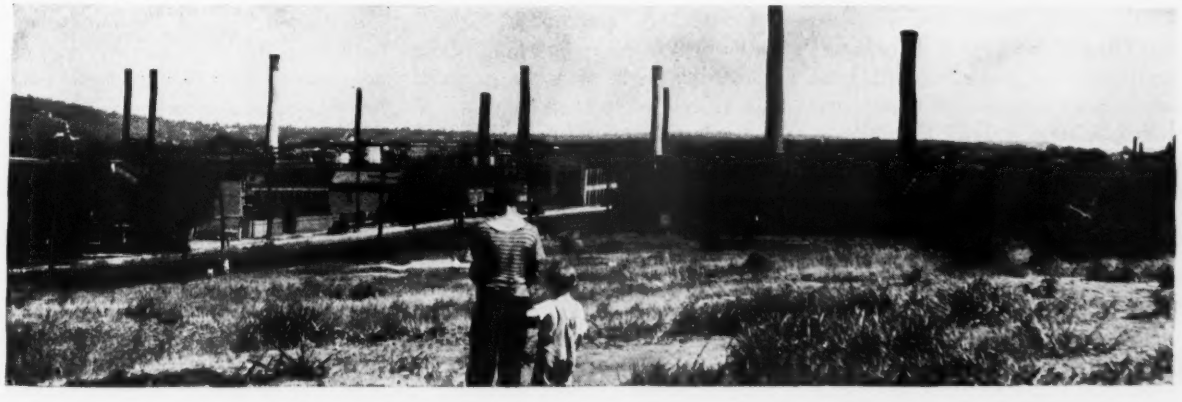
29. Los Angeles

JULY, 89.0 JUNE, 86.1 JULY 1938, 89.7

JULY—Percentage department store sales changes from previous July: Los Angeles —1, Phoenix +12. AUGUST—Los Angeles retail trade even with last year's level; wholesale trade, especially groceries, hardware, and electrical supplies, moderately ahead of year ago. Phoenix and San Diego retail trade unchanged from last year. Valencia orange shipments increasing steadily, prices low but relatively firm. Payrolls and production generally improved over last year's level. Aircraft, petroleum refining, mining, packing, and building operations maintained at favorable levels. Automobile and motion picture production seasonally slow. Collections generally improved. SEPTEMBER—Los Angeles department store sales improved over last year.



CHARLES PHELPS CUSHING



INDUSTRIAL AND COMMERCIAL FAILURES

	Number of Failures			Current Liabilities **			Total Liabilities **			Dun's Insolvency Index †					
										Unadjusted			Adjusted ‡		
	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937
Jan.	1,263	1,377	841	19,122	21,415	12,003	23,192	27,162	14,992	69.3	76.2	47.7	56.3	62.0	38.8
Feb.	963	1,149	755	12,788	21,028	14,004	12,795	25,501	22,887	62.5	75.2	50.6	54.3	65.4	44.0
Mar.	1,057*	1,167	861	17,851*	40,325	22,591	18,164*	80,373	78,878	58.1*	64.8	47.1	57.5*	64.2	47.1
Apr.	1,064*	1,172	818	17,435*	21,147	12,893	20,693*	29,355	13,628	58.5*	65.1	48.3	56.8*	63.2	47.4
May	1,028*	1,123	875	14,664*	19,139	13,088	19,501*	19,831	14,965	54.3*	59.8	47.6	53.8*	59.2	47.6
June	847*	1,073	703	11,460*	15,918	12,829	11,616*	16,892	16,737	50.3*	64.1	41.1	52.4*	67.5	43.3
July	885*	1,038	651	14,128*	14,761	12,780	22,763*	15,008	13,955	48.3	57.2	37.9	54.3	64.3	42.1
Aug.	859	1,015	736	11,259	16,382	14,950	11,714	17,252	19,473	46.8	53.8	39.7	55.1	63.3	46.7
Sept.	....	866	584	....	14,341	9,818	....	15,183	11,308	...	51.6	35.2	...	61.4	41.9
Oct.	....	997	815	....	13,219	14,079	....	16,960	15,381	...	54.7	45.2	...	59.4	49.1
Nov.	....	984	842	....	12,302	16,400	....	17,281	17,709	...	53.9	52.7	...	51.8	51.2
Dec.	....	875	1,009	....	36,528	27,818	....	54,736	36,963	...	56.7	58.0	...	56.1	58.0
Total	....	12,836	9,490	....	246,505	183,253	....	335,534	276,876	...	61.1	45.9	...	...	...

** In thousands of dollars. † Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation. * Revised. See text.

ANALYZING *the* RECORD *of* INDUSTRIAL *and* COMMERCIAL FAILURES

DROP IN AUGUST SLIGHTLY LESS THAN SEASONAL

THE month of August brought a seasonal decline in industrial and commercial failures, although the extent of the drop was slightly less than the average change from July. Failures numbered 859 with $11,259,000 in current liabilities, compared with 885 in July with $14,128,000 liabilities—a decline of 3 per cent in numbers and 20 per cent in debts. The August level was 15 per cent below that of a year ago, when failures numbered 1,015 with current liabilities of $16,382,000.

The insolvency index measured the August decline by a drop from 48.3 to 46.8. The course of the index since the beginning of the year has been smoothly and continuously downward except for a slight rise in April. This trend has conformed to the seasonal pattern more closely than any other in recent years. The adjusted index, with the seasonal factors removed, has moved within the narrow limits of 6 points, with no single move over three points. The adjusted index in August rose slightly, from 54.3 to 55.1. The even course of the adjusted index indicates that so far this year no untoward influences have been brought to bear upon the failure record. What the effect of the war on general business conditions and failures in this country will be remains to be seen. The trend of failures during the World War is recorded in a special article on pages 20 and 21.

Revision of the Record

As explained in the September issue of the REVIEW, a revision of the failure record since March seemed advisable because of an excess of small failures in recent months due to improved reporting of discontinuances from business without formal court action. The amount of the excess was assumed to be the number of discontinuances over and above those constituting the proportion which this type of failure bore to total failures in 1938. In March 66 failures were taken from the count, 76 in April, 94 in May, 105 in June, and 32 in July. Eighty were withheld from the current August record.

Comparison of earlier reports with present ones for each district helped to identify the additional failures. They occur in reports from all parts of the country, so that few figures escape some slight change, although the greatest revisions have been made in the Chicago and Philadelphia records. Liability figures have not been appreciably affected, since the majority of cases dropped were very small concerns with debts of only $1,000 or less. A lowering of total liabilities in June by $149,000 was the largest monetary change made in the record.

All failures now eliminated will be run back into the record next year to provide a series of figures for 1939 comparable with the 1940 figures which will include all cases.

Revised figures for the number of failures in the main industry groups are given on the following page. Corrected figures for particular lines of activity, geographical divisions, cities, or size groups, will be sent upon request.

REVISED NUMBER OF FAILURES IN INDUSTRY GROUPS

INDUSTRY GROUP	March	April	May	June
Manufacturing	203	208	189	158
Wholesale Trade	121	133	127	85
Retail Trade	634	629	608	506
Construction	50	51	62	50
Commercial Service	49	43	42	48
Total	1,057	1,064	1,028	847

August Failures

August failures declined from July in the two major industrial groups, manufacturing and retail trade, but increased slightly in wholesale trade and markedly in construction and commercial service. Failures in three manufacturing lines moved against the trend, increasing in forest products, leather goods, and iron and steel. In retail trade food failures increased about 10 per cent and apparel shop failures decreased 19 per cent.

The present level is well below that of a year ago in all major groups, with the exception of commercial service.

INDUSTRY GROUP	August 1939	August 1938	Per Cent Change
Manufacturing	151	173	−13
Wholesale Trade	93	122	−24
Retail Trade	528	629	−16
Construction	46	57	−19
Commercial Service	41	34	+20
Total	859	1,015	−15

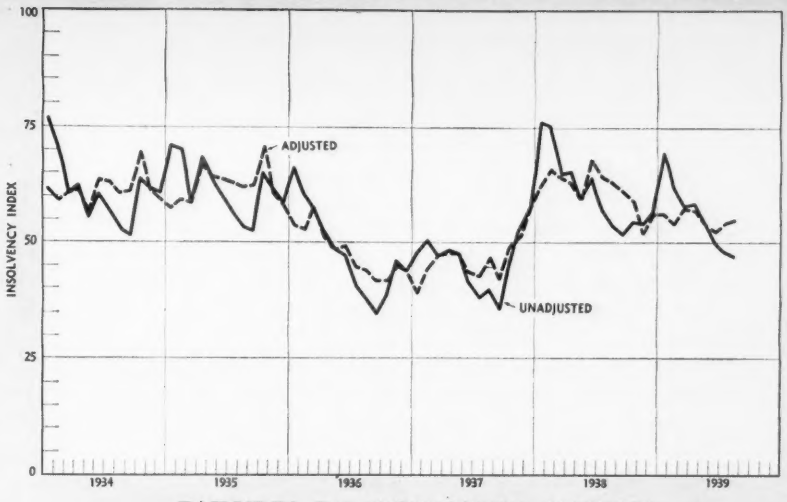
Part of the large decrease in wholesale trade failures is owing to the fact that in August, 1938, wholesale failures took a jump out of line with their general level. Likewise, commercial service failures dropped a year ago and increased this year, thus widening the spread.

August saw the number of failures with liabilities under $25,000 practically unchanged from July, while failures with liabilities in excess of $25,000 declined from 122 to 94, with little change in the very large ones.

Failures in all size groups were considerably lower than a year ago, with the larger failures showing the greatest relative drop.

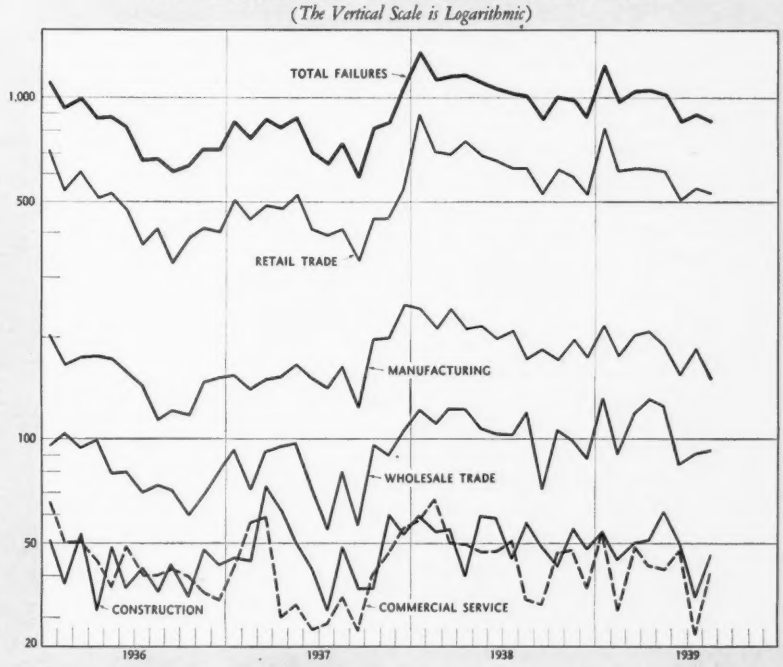
LIABILITIES	August 1939	August 1938	Per Cent Change
Under $5,000	358	417	−14
$5,000–$25,000	407	460	−12
$25,000–$100,000	75	109	−31
$100,000 and over	19	29	−35
Total	859	1,015	−15

MONTHLY TREND OF THE INSOLVENCY INDEX



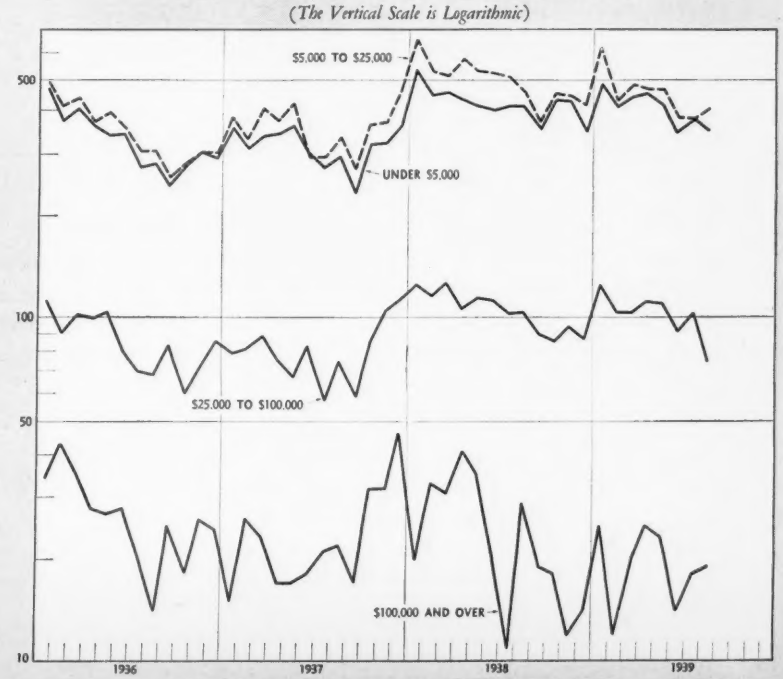
FAILURES BY INDUSTRIAL GROUPS

(The Vertical Scale is Logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is Logarithmic)



Analysis of the large failures reveals that the drop from 29 to 19 occurred in all the main industry groups: in manufacturing from 17 to 13, in wholesale trade from 6 to 2, and in retail trade from 4 to 2. Most revealing, however, is the analysis by type of failure, which shows 5 petitions for reorganization and 4 for arrangement in the current month compared with 18 petitions for reorganization in August, 1938, when 77-B was still in effect. The inference is that the relative ease of procedure under 77-B led concerns to seek reorganization when early signs of serious financial trouble appeared, whereas the stricter and more expensive procedure under Chapter X of the new bankruptcy act has served to discourage the quick use of this remedy for debt trouble.

The August decline from July took place entirely in the large cities, with failures in the rest of the country increasing slightly. This is the usual relation between city and country failures in August, according to the record since 1934.

Geographically, August failures were unchanged in number in the Chicago Federal Reserve District, slightly down in the Boston, New York, and Dallas districts, and decidedly down in the Philadelphia, Cleveland, and St. Louis districts. Advances occurred in the remaining districts, Atlanta, Richmond, Kansas City, Minneapolis, and San Francisco. Only the three Midwest districts of Minneapolis, Kansas City, and Dallas have reported more failures so far this year than in the comparable period of 1938.

Federal Reserve District	Jan.-Aug. 1939	Jan.-Aug. 1938	Per Cent Change
Boston	622	863	−28
St. Louis	263	357	−26
Cleveland	534	684	−22
San Francisco	858	1,015	−16
Richmond	378	446	−15
New York	2,308	2,638	−13
Chicago	1,249	1,399	−11
Philadelphia	507	556	− 9
Atlanta	456	470	− 3
Minneapolis	153	151	+ 1
Kansas City	401	369	+ 9
Dallas	237	166	+43
Total	7,966	9,114	−13

Failures by Divisions of Industry—August, 1939 and 1938

(Current liabilities in thousands of dollars)

	Number			Liabilities		
	Aug. 1939	July* 1939	Aug. 1938	Aug. 1939	July* 1939	Aug. 1938
Total United States	859	885	1,015	11,259	14,128	16,382
Manufacturing (total)	151	186	173	4,069	6,701	6,147
Foods	39	49	37	1,642	2,368	747
Textiles	31	40	41	535	1,130	2,254
Forest Products	18	14	12	521	212	370
Paper, Printing and Publishing	12	19	9	269	260	434
Chemicals and Drugs	4	3	8	38	32	91
Fuels	1	6	2	40	1,017	76
Leather and Leather Products	11	5	6	311	213	62
Stone, Clay, Glass, and Products	3	6	7	20	263	549
Iron and Steel	8	6	11	337	53	764
Machinery	5	14	12	51	773	256
Transportation Equipment	1	1	6	16	58	340
All Other	18	23	22	289	322	204
Wholesale Trade (total)	93	91	122	1,473	2,068	2,860
Farm Products, Foods, Groceries	40	36	50	663	810	940
Clothing and Furnishings	7	3	8	182	43	67
Dry Goods and Textiles	1	2	2	7	42	220
Lumber, Building Materials, Hardware	12	8	12	198	59	338
Chemicals and Drugs	3	6	1	70	199	2
Fuels	2	4	3	6	125	114
Automotive Products	4	6	14	47	168	348
Supply Houses	3	6	4	21	88	31
All Other	21	20	28	279	534	800
Retail Trade (total)	528	548	629	4,461	4,668	5,903
Foods	164	145	167	963	944	884
Farm Supplies, General Stores	20	20	27	148	276	178
General Merchandise	16	26	26	70	173	451
Apparel	111	137	123	1,153	1,148	1,559
Furniture, Household Furnishings	30	37	57	243	249	701
Lumber, Building Materials, Hardware	22	28	35	267	252	488
Automotive Products	39	37	47	439	398	414
Restaurants	57	54	61	512	627	625
Drugs	34	31	47	382	301	228
All Other	35	33	39	284	300	375
Construction (total)	46	35	57	765	361	1,128
General Contractors	..	4	9	..	24	198
Carpenters and Builders	15	10	20	489	142	721
Building Sub-contractors	30	21	27	271	195	205
Other Contractors	1	..	1	5	..	4
Commercial Service (total)	41	25	34	491	330	344
Cleaners and Dyers, Tailors	8	7	10	62	113	68
Haulage, Buses, Taxis, etc.	8	6	5	123	48	44
Hotels	3	4	3	15	111	116
Laundries	5	..	2	140	..	16
Undertakers	..	3	5	..	19	51
All Other	17	5	9	151	39	49

* Revised. See text.

Canadian Failures

Canadian failures increased from 93 in July to 99 in August, with liabilities rising from $756,000 to $982,000. In number, failures were slightly lower than a year ago when they numbered 102, but liabilities were considerably in excess of the $595,000 in August, 1938.

Note: In Dun's Statistical Review there are published more detailed failure statistics by States, large cities, industrial divisions, and size of liabilities.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

Geographical Groups:	August 1939	August 1938	Change P. Ct.	July 1939	Change P. Ct.
New England	$4,154,797	$8,922,292	— 53.4	$8,097,402	— 48.7
Middle Atlantic	41,220,629	36,301,477	+ 13.6	26,867,974	+ 53.4
South Atlantic	11,168,192	9,159,216	+ 21.9	12,243,156	— 8.8
East Central	26,050,836	15,040,189	+ 73.2	21,315,897	+ 22.2
South Central	11,250,526	10,205,284	+ 10.2	11,210,553	+ 0.4
West Central	5,864,377	4,448,051	+ 31.8	5,306,726	+ 10.5
Mountain	2,179,505	1,619,294	+ 34.6	2,604,066	— 16.3
Pacific	15,943,525	15,328,612	+ 4.0	15,104,671	+ 5.6
Total U. S.	$117,832,387	$101,024,415	+ 16.6	$102,750,445	+ 14.7
New York City	$26,024,096	$27,586,446	— 5.7	$16,349,395	+ 59.2
Outside N. Y. C.	$91,808,291	$73,437,969	+ 25.0	$86,401,050	+ 6.3

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1939	1938	1937	1939	1938	1937
January	23,187	21,798	27,226	927.5	871.9	1,089.0
February	19,711	17,584	23,720	896.0	799.2	1,078.1
March	24,995	22,822	29,412	925.7	845.3	1,089.3
April	21,798	21,667	26,086	871.9	833.4	1,003.3
May	22,188	20,169	23,951	853.4	806.8	958.0
June	23,022	23,959	25,903	885.5	921.5	996.3
July	21,386	21,624	26,015	855.4	865.0	1,000.6
August	22,591	19,716	22,260	836.7	730.2	856.2
September	.....	21,733	24,076	....	869.3	963.0
October	.....	24,011	24,668	....	960.4	986.7
November	.....	21,637	21,796	....	940.7	947.6
December	....	27,697	25,805	....	1,065.3	992.5
Total	.....	264,417	300,918	....	875.8	996.7

Bank Clearings for Individual Cities (000 omitted)

	August 1939	August 1938	Change P. Ct.	July 1939
Boston	$885,632	$790,996	+ 12.0	$921,774
Philadelphia	1,734,000	1,450,000	+ 19.6	1,562,000
Buffalo	135,633	124,268	+ 9.1	130,465
Pittsburgh	488,962	439,187	+ 11.3	491,832
Cleveland	417,913	343,047	+ 21.8	409,440
Cincinnati	233,882	209,718	+ 11.5	245,298
Baltimore	285,835	258,520	+ 10.6	290,237
Richmond	188,816	175,419	+ 7.6	167,724
Atlanta	242,700	219,400	+ 10.6	238,500
New Orleans	152,732	148,593	+ 2.8	163,745
Chicago	1,288,680	1,125,704	+ 14.5	1,230,042
Detroit	416,761	346,489	+ 20.3	400,879
St. Louis	353,833	334,842	+ 5.7	369,581
Louisville	140,529	126,412	+ 11.2	144,759
Minneapolis	306,482	304,582	+ 0.6	281,076
Kansas City	391,180	374,625	+ 4.4	458,083
Omaha	126,480	123,929	+ 2.1	128,332
Dallas	228,661	199,986	+ 14.3	223,454
San Francisco	634,024	590,003	+ 7.4	593,985
Portland, Ore.	138,355	124,361	+ 11.3	129,969
Seattle	162,480	151,180	+ 7.5	152,687
Total 21 Cities	$8,953,570	$7,961,261	+ 12.5	$8,733,862
New York	$13,637,331	$11,755,054	+ 16.0	$12,651,653
Total 22 Cities	$22,590,901	$19,716,315	+ 14.6	$21,385,515

Dun & Bradstreet Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

Weeks:	1939	1938	1937	1936
Sept. 26	$2.46	$2.43	$2.88	$2.75
Sept. 19	2.46	2.42	2.92	2.78
Sept. 12	2.45	2.44	2.89	2.82
Sept. 5	2.32	2.42	2.86	2.84
Aug. 29	2.16	2.41	2.87	2.81
Aug. 22	2.14	2.42	2.87	2.82
Aug. 15	2.13	2.41	2.90	2.85
Aug. 8	2.15	2.44	2.90	2.82

	High		Low	
1939	$2.46	Sept. 19	$2.13	Aug. 15
1938	$2.53	Jan. 4	$2.34	May 10
1937	$3.01	Mar. 16	$2.56	Dec. 28

Dun & Bradstreet Daily Weighted Price Index 30 Basic Commodities

(1930-1932 = 100)

	1939			
	Sept.	Aug.	July	June
1	106.14	102.81	*	107.07
2	*	102.90	†	106.97
3	†	102.56	104.91	*
4	*	102.44	*	†
5	111.64	*	104.80	106.82
6	116.07	†	104.86	106.62
7	115.62	102.42	104.57	106.83
8	115.26	102.11	*	106.77
9	114.93	102.45	†	106.75
10	†	102.22	103.87	*
11	115.50	102.31	103.95	†
12	115.83	*	103.48	106.36
13	116.30	†	103.31	106.35
14	116.81	102.29	103.09	106.41
15	117.51	102.24	*	106.09
16	117.24	102.14	†	106.04
17	†	102.37	102.76	*
18	116.63	102.55	102.76	†
19	116.16	*	103.20	105.85
20	116.95	†	102.20	105.38
21	117.64	102.91	102.24	105.93
22	118.66	102.97	*	105.21
23	118.66	103.20	†	105.27
24	†	103.94	101.40	*
25	118.27	103.61	101.63	†
26	118.33	*	102.34	105.03
27	118.95	†	102.63	105.39
28	118.36	103.27	102.71	105.46
29	117.91	103.12	*	105.71
30	119.34	103.32	†	104.91
31		103.37	103.16	

† Sunday. * Markets closed.

	High		Low	
1939	119.34	Sept. 30	101.40	July 24
1938	117.06	Jan. 10	102.43	June 2
1937	158.26	Apr. 5	114.83	Dec. 30

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

CABBY—*Drawn with the fingers by professional artist Arnold Hall in Finger Paints, growing art medium, made by Binney & Smith Co., N. Y.*

Tin Ear—A machine which tests metal gears by listening to them has been developed by Electrical Research Products, Inc., New York. The device, which is called an Industrial Noise Analyzer, measures the intensity of sound at any preselected pitch, filtering out other noises. It's also used to detect drops of solder that sometimes fall inside tin cans, and to eavesdrop on new frictionless bearings, generator motors, and refrigerator units.

When gears are tested, the machine listens to the clear ringing note made by tapping the gear with a hammer. Weaknesses in the metal change the pitch. The noise analyzer detects this and indicates the gear is imperfect.

Blame Nero—Trousers which stay up without belt or suspenders have insinuated themselves around a lot of waists this Fall. They're called Swags, and are being promoted by John Wanamaker department stores, which introduced them modestly last year to see how they'd go.

An adjustable elastic band keeps Swags wagging at mid-torso. A chain-stitched rubber lining on the waistband grips a fellow's shirt-tail so it won't puff out like a jibsail during a game of golf or tennis.

Although there's a rumor that one customer wanted a Swag tuxedo, Wanamaker's hasn't thought much yet about putting Swags in all-year-round clothes or work clothing; only in Summer and Palm Beach suits, and sports skirts.

Historically, trousers were forced on Roman slaves as an insult, like pigtails when the Manchus took China. The Emperor Nero, says Wanamaker's, put pants on captive Goths so the Roman citizenry could flirt their togas at the sissies. Trousers signified slavery.

Poe—Too new for any judgment to be formed yet about its chances of success, a small retail store in New York City, Poe Television Company, sells television sets on the basis that customers can make them on the premises from the kits of several radio manufacturers. The store furnishes tools, laboratory facilities, and instruction. Building a television receiver from a kit in at least one case involves 144 operations, using parts having 62 technical names. Sets all ready for home construction cost about $110 less than a factory-built receiver.

Average time for set-building in the store laboratory is about 23 hours, although the first customer took 60. Poe guarantees each set will work satisfactorily. Its manager does the final testing and line-up.

Bookkeeping—An automatic bookkeeping machine which does part of its work without requiring a bookkeeper to touch the keys at all is being introduced by Remington Rand Inc., Buffalo, N. Y. In a typical accounts receivable transaction, for example, an operator "picks-up" the previous balance, strikes the date key, types a description of the new transaction, and posts the new charge or credit.

From this point the machine takes over. It automatically tabulates into the balance column, printing debit balances in black with a triangular symbol, or credit balances in red, with oblique type. It also permits automatic dual cross-computing and automatic dual printing of debit or credit balances.

The Burroughs Adding Machine Company, Detroit, Mich., has also announced a new, high-speed bookkeeping machine which tabulates automatically and has dual computing features. A date, reference number, and the current charge or credit can be tapped one after another on the keyboard, after which the motor bar is pressed and the machine automatically prints the entire

AUTOMATIC—*Remington Rand bookkeeping machine delivers dual debit or credit balances, moving carriage automatically when final digit of new charge or credit is posted. Operator does nothing to start automatic balance feature, set off by selenoid relays*

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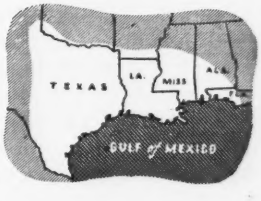

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entry in duplicate on ledger and statement forms, prints the balance, and delivers the usual journal entry.

Atmos—Just about the nearest thing to a working perpetual motion machine that you could want is an imported Swiss mantel clock called Atmos II. It winds itself up every time there's a change in the temperature and air pressure. A difference of one degree in temperature runs it for five days. Even if the winding mechanism were to break, the seconds would twirl merrily around its rotating pendulum for a year before you guessed anything had gone wrong.

Atmos II winds itself when a sensitive drum expands or contracts according to changes in atmospheric conditions. Moving the clock from sea level to the mountains throws it out of kilter for about two weeks. Then it adjusts itself to the mountain air and settles back to a normal sixty per minute.

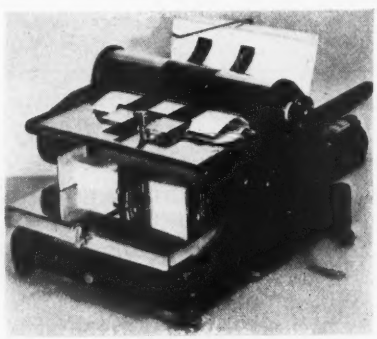
For a trifling $175 any man of the house who's tired of winding the family horologe can nod at Atmos II and say, "Wrap it up." A number of jewelry firms in major cities, such as Tiffany & Company or Cartier, Inc., in New York, handle it.

Headlamps—Sealed beam headlamps, introduced on the 1940 passenger cars, will be available on some 1940 light trucks and delivery wagons. Application to bigger vehicles is still to come, however, says the Automotive Safety Foundation, N. Y., which helped father the lamps. There's virtually no possibility at present that they can be applied to many business fleets of older models than 1940.

Advantages of the sealed lamp in the way of greater light and wider diffusion of the beam should be a headline item for the 1940 passenger models. As a business product the lamps will represent a larger cash outlay for replacements. They'll last longer than the present bulbs, but when replacement is necessary, a repair man has to take the whole lamp—reflector, bulb, and glass front, out of its shell. He throws away this old unit and sells a new one, which plugs into place.

SHINES—*Shining up to the low income group, Willys-Overland offers for $600 a 1940 model in restrained but modern design.*

Shows—Slightly over a month ago veteran business showman Frank E. Tupper surprised the office equipment and machines industry by announcing that the Thirty-sixth Annual National Business Show would be held at Chicago's giant Navy Pier, instead of in New York City. The show opens October 23 and ends October 27. Admission will be free, on tickets distributed to those interested.

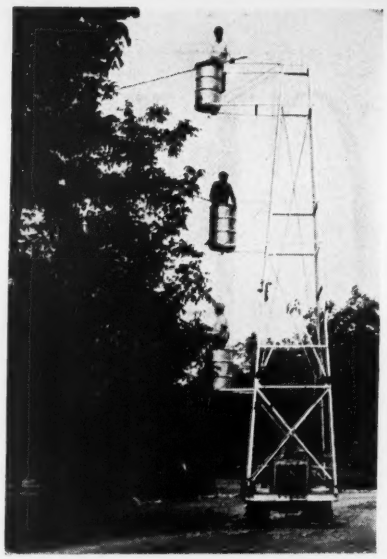


MULTI-FOLDER—*Typewriter size office folding machine, made by the Multistamp Company, Inc., of Norfolk, Va.*

October 15 to 22 are the dates for the Fortieth Annual National Automobile Show, at the Grand Central Palace, New York. Moved ahead one month to take advantage of the World's Fair, the automobile show will seek larger attendance by lowering admission prices to a flat 40-cent rate.

There was to have been a third big show this month, the 1939 National Machine Tool Show. Space was oversubscribed last July. Suddenly the show was called off. Story is that the machine tool men took inventory one morning and found they had nothing left to exhibit—all sold out!

Tissue—American made cigarette paper is a relatively small item in total paper manufactures, but with war interfering with all imports the American Paper & Pulp Association Import Committee is wondering if the domestic product will capture more of the market.



HARVEST—*In Danville, Cal., a walnut rancher harvests his crop from a 30-foot tower bolted to a Caterpillar tractor.*

American manufacturers produce about one-quarter of all American-consumed cigarette paper, about $1,500,000 worth. Two mills account for most of this, although a third has just been built. Latest figures indicate imports are valued, including customs duties, at about $6,000,000, considerably more than the figure stated in DUN'S REVIEW, August, 1939. A five-pound bobbin of American or French paper, costing $2, will wrap about 40,000 smokes. Rejected tissue winds up as wrappers for soda fountain straws.

Iced House—If you collect anecdotes for after dinner talks, you'll want to add this one about the iced house of Alamo to your list. The story came from the *New York Herald Tribune*.

A house mover in Alamo, Tex., one Bruce Adkins, in the normal course of business had to lower a building to a new foundation. This is usually done by supporting the house on jacks and giving each one a slight down-turn in rotation, so as to avoid straining the structure or throwing it off balance.

The ingenious Mr. Adkins found this too tedious a job. So he supported the house over its new foundations on blocks of ice. The sun shone. The ice melted. The building descended. The job was done. Meanwhile, contractor Adkins sat under a shady tree and relaxed, an unworried entrepreneur employing Sun, Water, and Weight.

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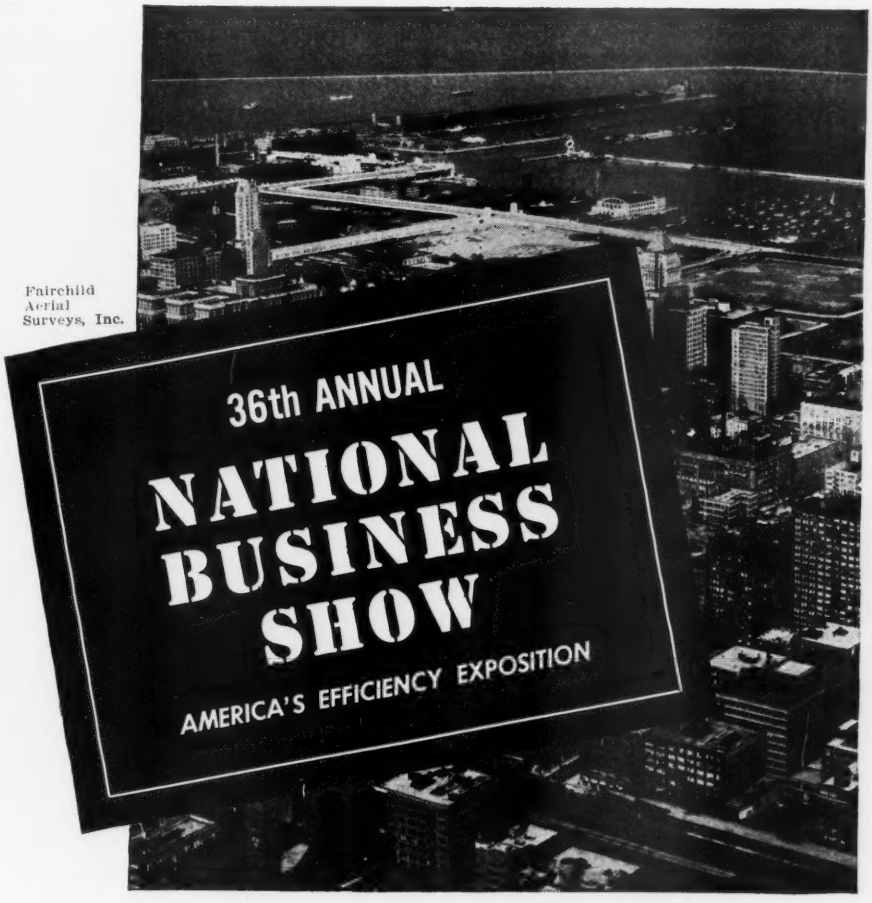

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EFFECTS OF CHAIN STORE TAXES

(Continued from page 28)

Up until 1937 the anti-chain forces had waged a guerilla war in locally organized groups. By 1938 their forces had been organized on a national scale to carry the legislative drive from coast to coast with all the weapons of political campaign strategy. While prior to 1938 measures had been laid before legislatures in a haphazard manner, bills later were carefully drafted by central committees and promoted by predetermined plans. In contrast to the same type tax laws of the early Thirties, the bills introduced in the legislatures of Kansas, Oklahoma, and West Virginia were of a most severe nature. Each was patterned after the Louisiana type, classifying chains by total number of stores. They proposed to tax national chains from $550 to $1,500 fees per store for each of their units, regardless of how small the totals of their stores in those tax States were. But these bills were defeated.

In some local communities, too, the outlook is not too bright for national chains. Just recently a referendum was passed introducing a chain tax in Columbus, Ga., after a two-week campaign in which the chains fought tooth and nail. The Colorado referendum of 1938 rejecting repeal of the State tax may also serve as an indication that public opinion has not yet been swung to the chain-store side.

Marketing Channels

While 30 years ago any tax concerning retailers would have drawn scant attention from producers, the recent wave of chain store taxes has called forth an immediate and most spectacular response on their part.

Quite naturally the strongest effect of chain taxes is felt by those producers who operate their own store systems. First to be confronted with the issue were gasoline refiners. Shortly before, during, and immediately after the depression there had been a remarkable trend to the company-owned gasoline station. Most of the larger oil companies had established their own chains of retail outlets. Of all retail stores the gas station is the one with the smallest average sales volume per unit. Little wonder that the gas chain was hit with particular severity by tax measures which rated the amount of the levy by the number of store units.

In June 1935, when the Iowa legislature passed a drastic chain tax bill, the Standard Oil Company of Indiana, leading gasoline marketer in Iowa, adopted what was later called the "Iowa" or "Dealer Marketing" plan. The company-operated stations were leased to independent dealers, predominantly to former station managers. The new device spread rapidly to other States—not alone to those where chain taxes had been enacted—and by Spring of 1937 virtually all of the major integrated oil companies had divorced their retail outlets from the rest of their business.

There is some reason to believe that this evolution was largely fostered by social security and wage-hour legislation. But it is generally recognized that anti-chain legislation—or impending chain bills—were the most compelling motive for its rapid progress, just as they were the immediate cause for its inauguration.

What then happened under the Iowa plan tells a noteworthy story. At first both oil companies and retailers were highly satisfied with the new state of affairs under the Iowa plan. The refining companies were relieved from retailing responsibilities and continued supplying their outlets on a 100 per cent account basis. The operators liked their new rôle as merchants. But then they started to raise the very modest profit margin at which the oil companies had operated their stations. Before long, competition of truck-side bulk dealers selling on narrower margins made life uneasy for the new owners and incessant price wars spread along the roads. From such price wars —which made deep inroads into dealer margins—refiners could not remain aloof. Service operators became bad accounts and as long as the company's sign was still at the station there was a very active interest of the company in the business conduct of the operator, especially in the handling of service.

In some instances refining companies were reported seriously to have considered taking possession again of part

of their leased stations. Other companies resorted to the "Jersey" plan, which provided for fixed retail margins under the Fair Trade Acts. Refiners set the price at which their gasoline was to be resold at retail, thus closing the strange circle in which merchandising policies moved under chain tax laws. The retailer is partially returned to the company's control, from which he had been freed only a few years ago.

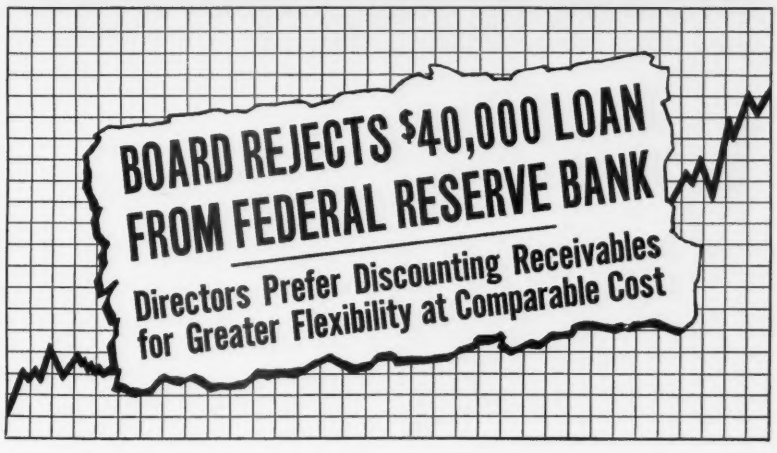
What has happened in the gasoline trade will not necessarily occur in other industries. We may anticipate, however, that in the event of further taxation producers with integrated retail outlets may dispose of their stores in the pattern of the oil industry. Of all manufacturers selling through stores of their own, less than 50 per cent do so exclusively. The total number of manufacturers who have a direct stake in the chain issue is small. The Census of Business indicates that only 1.5 per cent of all products is thus distributed.

Taxes Passed On?

As for the effect of these taxes on poor Mrs. Consumer, it seems almost impossible to arrive at a general conclusion as to whether or not they will be passed on. In the intricate network of costs and margins, the chain tax is just one element. Where excessive competition prevails, any seller will be hindered from passing increased mark-ups on to the consumer. Under different conditions such shifts might more easily occur.

In the meantime, the struggle between chain and anti-chain forces continues with undiminished force. The chains were somewhat late in realizing the importance of the public relations problem. A great deal of adverse popular feeling could be overcome if chains would take a larger interest in local affairs.

More recently chain organizations have been anxious to improve this side of their dealing with the public and are apparently gaining ground. They have also made a successful attempt to gain support from farm groups by assisting farmers in disposing of surplus crops. Direct appeal to the public by newspaper campaigns and through other advertising media likewise has been devised to upset anti-chain store measures.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"The facts brought to our attention in a review of the cost of your financing plan, bear out your statements with regard to the advantages of your method of service. It was because of these advantages that we decided against the acceptance of a loan of $40,000 authorized by the officers of the Federal Reserve Bank.

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PRESIDENTS DO READ AND WRITE

I

The author of an article in a recent issue of DUN'S REVIEW received 26 letters direct from readers. Seventeen of these letters were signed by the presidents or heads of their companies.

II

A manufacturer of an office equipment device received 113 letters of inquiry. Sixty were from manufacturers, 37 from wholesalers, 2 from banks, 14 miscellaneous. Fifty of these companies are rated from $125,000 to over $1,000,000. Twenty-two were signed by presidents.

III

An advertiser of a special service to business received 31 inquiries, of which 18 were from manufacturers and 7 were from banks, financial institutions, and insurance companies.

IV

Of 52 requests received for a booklet on export conditions, 15 were from concerns rated from $125,000 to over $1,000,000.

OVER THE EDITOR'S DESK

CONTRIBUTORS TO THIS ISSUE

FOR most of us these are mornings when we reach, unseeing, for our coffee and keep both eyes on headlines of the latest chapter in Europe's ancient struggle over jealously guarded boundaries. Nor do we fail to keep a weather eye on developments in that unhappy land of friction, Southeastern Europe.

Meanwhile, at home for many years forces have been at work unconsciously but effectively Balkanizing the United States. Efforts to protect local products have erected along State boundaries thinly disguised tariff walls; retaliatory measures have raised them.

What forms do these barriers to free flow of commerce take? Where are they most irksome? What changes may come with the next few years? These are questions we asked of George R. Taylor (pages 12-16).

Only last year Professor Taylor (Amherst College) directed for the United States Department of Agriculture its study of State barriers to shipments of agricultural products; this year finds him co-author of a special report on the subject to Secretary Wallace. He is co-author, too, of *The United States—A Graphic History* and a frequent contributor to the economic journals.

"For further details," he writes from Amherst, "consult local gossips. I trust they will confine their remarks to my exploits at the chess-board and with the fowling piece."

A MANUFACTURER who lives near Arthur H. Little told him one time that his company was trying to improve its correspondence. Mr. Little suggested that there were a number of books and mentioned some of their titles. The manufacturer replied that this was not his first approach to the problem, that he was familiar already with several of them, but that none of them seemed to have what he wanted.

Thereupon Mr. Little set down on paper some thoughts which he hoped might be helpful. Although there was no very formal use of the material that Mr. Little prepared, both he and the manufacturer became so interested in the problem that Mr. Little extended his first thoughts into "The Cardinal Qualities of a Good Business Letter" (pages 17-19).

First a newspaper reporter, Mr. Little later became editor, successively, of two business magazines, *Business* and *System*. From 1929 until just this year he was an associate editor of *Printers' Ink*, engaging meanwhile in display and direct-mail work for a number of industrial advertisers. Still a contributing editor of *Printers' Ink*, he has now set up for himself as an advertising consultant.

GEORGE R. TAYLOR

DESPITE the fact that there still is life in a Congressional bill which would levy a national tax on chain stores, the chains apparently have halted the advance of their opponents, until recently so joyously marching forward. Although three States have increased chain-store tax rates this year, no States previously without such taxes have enacted them; and the Kentucky and Pennsylvania taxes have been set aside by the courts.

Such a momentary balance affords excellent opportunity to assay the effects chain-store taxes are having on the chains themselves and on manufacturers and other distributors (pages 22-28).

The experience of Reinhold P. Wolff,

who sums them up, is of a sort to enhance a detached view of tax and price problems in this country. Only four years ago he was practising law in Germany and following closely developments in the trade association movement there. Now in New York, Dr. Wolff is editor of *Trade Regulation Review* and a pricing and merchandising counselor.

For readers who are tempted to search past records for clues to future trends, there appears this month, too, "War-Time Casualties on the Business Front." Its author, Dorothy S. Davis, is a member of the Research and Statistical Division of Dun & Bradstreet, Inc.

The article by Charles F. Roos and Victor von Szeliski on automobile demand in the September issue was digested from a study made for the General Motors Corporation. That company has published the paper and others on related topics in a booklet titled *The Dynamics of Automobile Demand.*

Also in the September number in the box headed "The Survey Sample," page 13, inventory values were erroneously deflated. The words "thousands of dollars," in italics, should have read "millions of dollars."

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Willard L. Thorp, *Editor;* Norman C. Firth, *Managing Editor and Business Manager;* Raymond Brennan, Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, *Associate Editors;* J. A. D'Andrea, *Statistician;* Clarence Switzer, *Art Director;* H. C. Daych, *Advertising Manager.*

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More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, and price indexes which are summarized and interpreted each month in Dun's Review (see pages 38-41)—are published monthly in Dun's Statistical Review, tables only, no text, $1 a year; $2 outside the United States.

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—impartially presents the points-of-view of business leaders on controversial and significant business subjects.

—reviews business conditions emphasizing data of basic importance and weighing the significance of various items.

Night is the burglar's day

While at nightfall the average man settles down to the comfort and relaxation of his home, burglars are starting their "day's work". Two out of every three home burglaries are committed after sundown, according to statistics of the Federal Bureau of Investigation.

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GOING UP

Two men were riding in an elevator.

A: "I have just bought $10,000 worth of serges."

B: "What are serges?"

A: "I don't know but they're going up."

There are times when speculative buying results from nothing more substantial than mass psychology. Such purchases are likely to generate price advances which in turn encourage further speculation. If there has been no basic change in the rate of consumption, this accumulation of stocks of goods carries the seeds of its own destruction, for the higher price collapses when these speculative holdings flow back into the regular channels. And the apparent high rate of demand based on supplying both regular requirements and speculation suddenly dries up.

Commodity speculation can help to stabilize a market by withholding goods in surplus times for use in periods of shortage. But in other circumstances, it may exaggerate the swing, bringing on a serious recession as happened in 1920 and 1937. The successful business man must always distinguish between the needs of the legitimate consumer and the golden dreams of speculators.

Willard L. Thorp.

EDITOR